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Chugach...
your energy company

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News notes

• **You could win a trip to Hawaii** by signing up for Chugach's QuickPay program. With QuickPay you can pay your bill automatically from your checking account or choose the annual prepayment option and save \$25. By signing up, your name will be entered into a drawing for tickets to Hawaii. Entries will be accepted until Oct. 10, 1998. For more information, call Chugach at 563-7366, check out the statement insert or go to Chugach's homepage at www.chugachelectric.com.

• **As the nights are getting longer** many children will depend on the streetlights as they walk to and from school, or wait on the roadside to catch a bus. If you notice a streetlight that's not working, call Chugach at 762-7658.

see **News notes** page 3

THE CHUGACH OUTLET

September
1998
Number 173

Chugach works the Y2K issue

Like other businesses, Chugach has been actively working on what's called "the year 2000" problem. The issue is commonly abbreviated as "Y2K". The goal is to avoid outages or other system problems that might be caused by computer hardware and software programmed with 2-digit year dates when we get to Jan. 1, 2000. There is international concern that there could be major disruptions to a myriad of systems and services if computer programs and equipment fails to function properly.

Chugach has been working for some time now to ensure it is ready for the date change.

It has broken the project down into the three broad areas of energy supply, energy transfer and business systems. Each area has

people dedicated to finding and fixing problems in parallel efforts.

Energy supply

The energy supply area looks at each of the individual turbine-generators on the system and the controls that start, stop and regulate them. {194039 Ve} Some machine controls are so old, they predate the problem. Some control units have been upgraded in the recent past with systems certified as Y2K compliant. A few are still being investigated. Chugach plans to test its generation units for compliance, probably before the end of the year.

Computerized controls for the natural gas that powers Chugach's plants are also being evaluated.

see **Y2K** page 2

Safety Bear Buddy

Chugach is one of several utilities participating in a statewide Safety Bear Buddy program. The program lets kids in trouble know they can approach specially-marked, radio-equipped utility vehicles and ask for help. Utility employees will radio for assistance and stand by until the proper authorities arrive.

The Safety Bear Buddy program started in 1989. Participating companies use specially-marked vehicles with trained employees which are on the streets every day to help out kids, and sometimes adults. In fact, a Chugach employee recently helped a child who had fallen from a bicycle.

Children in trouble should think of safety first when looking for help. {186077 Do} Stress these safety tips to your child:

Never dart across the street without looking for oncoming traffic. Obey traffic safety rules. Stop. Look left, right, left and make sure it's clear before crossing the street.

Do not touch the utility truck. It may be attached to a high voltage line. Call the driver and wave your arms over your head to get their attention before approaching.

Always use common sense. It pays to be careful, especially during times of emergency.



Committee begins investigation

A legislative committee considering retail competition for electric customers has begun its work. The joint committee (comprised of four senators and four representatives) held a pair of meetings in Anchorage in August.

At the first meeting, legislators heard from invited utility representatives. As expected, only Chugach and Aurora Energy (a company interested in marketing electric service) spoke in favor of opening the Anchorage-area to customer choice at this time. Many others argued in favor of continued study - while professing to be in favor of competition as a general concept.

The second meeting of the committee was a public hearing where customers were encouraged to speak their minds. Several

commercial customers currently served by either Chugach or Anchorage Municipal Light & Power said they were in favor of customer choice because they felt it would lower their electric costs. {38980 Ar} The few speakers who identified themselves as residential customers raised questions about savings and reliability.

The committee scheduled a second public hearing for Fairbanks in September.

In related activity, Aurora Energy filed a proposal for a pilot project with the Alaska Public Utilities Commission. As proposed, it would make about 10 percent of the Anchorage load available for competition for a limited time. While we have some problems with the pilot as proposed, we do see the idea as a

step in the right direction.

The legislative committee is to report its findings to the full Legislature at the beginning of the next session. It is not yet clear what that report might recommend. Several ideas have been discussed. They include a variety of options which include: an expert study of the possible effects of retail competition, pilot programs to gain real-world Alaska experience, and full retail customer choice in Anchorage and beyond.

We'll continue to work with the committee as it proceeds with its review. I'll let you know about future developments.

Ernest N. Bjornstad

Y2K continued from page 1

Energy transfer

The energy transfer area deals with the flow of power from power plants to neighborhood substations. The primary focus here is on individual components within substations and the overall computerized system that Chugach uses to monitor and control the grid. {1117591 BI} This system is known as SCADA - which stands for system control and data acquisition.

To help identify and solve problems associated with individual pieces of equipment, Chugach has joined a database project for information sharing. Chugach is one of more than 130 utilities participating in the project to track compliance issues with individual system

components like those commonly found in substations. Chugach can use the database to see what problems other utilities may have found with a certain piece of equipment, as well as contributing its own experiences to the collective body of knowledge.

Chugach is buying a new SCADA system, which will be both certified and tested to be Y2K compliant. Chugach's existing SCADA system has been in place for a number of years and was due to be replaced shortly anyway. Replacing it with a new system that will be Y2K compliant was an added benefit.

Business systems

The business systems area covers software associated with accounting, payroll, purchasing,

human resources and other functions. For the most part, Chugach is replacing old software with new programs that are Y2K compliant. However each of these new programs must then be customized to meet the needs of the organization.

Good progress

To save time, all three areas are being worked on at the same time. Chugach expects to be substantially completed with each by the end of the year, and completely compliant by mid-1999. It is a multi-million dollar effort to ensure that power stays on when the clock strikes midnight on Dec. 31, 1999.

The Alaska Public Utilities Commission has also opened a docket to track the Y2K compliance efforts of electric and non-electric utilities.

Board report, continued from page 4

In other action at the July and August meetings, the board:

- Authorized the general manager to execute a \$624,129.83 utility agreement with the Municipality of Anchorage for the Lake Otis Parkway and Tudor Road relocation project.
- Authorized the general manager to execute a \$433,814.32 work authorization with City Electric to complete installation of a 300-megavolt-amperes transformer at Chugach's University Substation.
- Authorized the general manager to execute a \$1,077,175 equipment and field service contract with American Hydro Corp. to start engineering and manufacturing new turbine components for the Cooper Lake Power Plant upgrade and system improvements.
- Approved capital credit payments totaling \$36,179.24 to 80 estates, bringing the 1998 estate payments total to \$122,351.46.
- Approved an amended Board Policy 203, Compensation of Directors, so that it conforms to Chugach's bylaws.
- Approved Board Policy 209 and 210, Appointment of Standing Committee Members and Vacancies in Unexpired Terms, respectively. While there were no changes to the policies, they must be reviewed by the board every five years.
- Deleted Board Policy 301, Energy Efficiency.
- Approved director absences.
- Approved directors' expenses.

Board viewpoint

by Pat Jasper, President



A question for candidates

Another election season is here. All seats in the Alaska House of Representatives and half of those in the State Senate are up for election this fall. While they're not the only races to consider, they may be very important races for those of us who feel individual customers should be able to pick their electric company.

It's appearing more and more likely that the Legislature will decide the issue of whether — and how — customer choice will become a reality in the Alaska electric industry. Last session the Legislature appointed a joint committee to investigate this issue. The committee's work will be finished by the time the Legislature convenes in January. While it's still early in the process, one outcome may be a bill that addresses the issue. That means that any proposed legislation will be voted on by the people we elect this fall.

I realize that most of us probably will not make a decision to elect a legislator based on this single issue. However, I will suggest that as the campaigns progress, there will be opportunities to ask candidates how

they feel about different issues. When the opportunity comes, I'd like you to consider asking how candidates feel about customer choice for electric power.

That could prove helpful in several ways. I suspect that many candidates have never really thought about it as an issue. If they are asked to vote on a bill next session, it would be well if they began considering the issue now. Asking about electrical power choice will also show that customer choice is an issue that's on the mind of voters in their districts. {190046 Le} That will help us when we have later discussions with our senators and representatives. I know from personal experience that legislators are more interested in topics they know are of concern to their constituents.

Even if you choose not to raise customer choice as an issue with candidates, I hope you'll join me in voting in the upcoming election.

Are you a voice for choice?

You can do your part to support Chugach in its efforts to allow you to choose your electric utility. Write or e-mail the Alaska State Legislature's Joint Committee on Electric Utility Restructuring. You can write Rep. Norman Rokeburg at 716 W. 4th Ave., Suite 200, Anchorage, AK 99501 or e-mail him at: Representative.Norman_Rokeburg@legis.state.ak.us

News notes, continued from page 1

• **Winter is coming and the ground** will soon be freezing. Chugach will be unable to bury new underground service lines. When that happens, Chugach will install the line in a flexible black conduit called "Corflo" on top of the ground. Corflo services will be scheduled for burial during the 1999 construction season. For more information, call 762-7679.

• **Your member number is worth \$50** if you spot it in the Outlet. Each month three member numbers are inserted into the copy. These numbers are in brackets like this {} along with the first two letters of the member's name. If you find a number like this that matches the member number printed on your bill, call our service center at 563-7366 to claim your prize. You may win for the current or previous month's issue.

Board approves write offs

The board at its July meeting approved writing off \$148,330.66 in uncollectible electric accounts for the six-month period ending April 30, 1998. By comparison, Chugach wrote off \$152,349.19 for the six-month period ending Oct. 31, 1997. {198978 No} While uncollectibles are written off, Chugach continues to aggressively pursue repayment of the debts.

The board also approved writing off \$6,680.41 in uncollectible miscellaneous electric accounts for the six-month period ending April 30, 1998. By comparison, Chugach wrote off \$31,293.21 for the six-month period ending Oct. 31, 1997. Chugach also pursues repayment of these debts even after they've been written off.

Chugach sold 162.8 million kilowatt-hours of electric service in June, about 3.3 million kwh less than projected by the budget. Wholesale power sales accounted for 70.1 million kwh, retail sales for 87.4 million kwh and economy energy sales for about 4.5 million kwh. Year-to-date sales stood at 1 billion kwh, about 43 million kwh less than projected by the budget.

Chugach finished June with operating revenues of \$11.3 million, about \$81,000 more than anticipated by the budget. Year-to-date operating revenues stood at \$72.6 million, about \$3.3 million less than projected by the budget.

June expenses were \$10.7 million, about \$833,000 less than projected by the budget. Year-to-

date expenses stood at \$66.1 million, about \$3.6 million less than projected by the budget.

At June's end, Chugach's equity-to-total-capitalization ratio was 27.37 percent.

By comparison, Chugach's year-to-date June 1997 power sales totaled 1.1 billion kwh, while operating revenues were \$69.6 million and expenses were \$66.4 million. Chugach's equity-to-total-capitalization ratio at the end of June 1997 was 27.22 percent.

see **Board report** page 3

Residential Service Costs

Customer charge	\$6.25/month
Kilowatt-hour charges:	
Energy charge	7.727¢
Fuel adjustment	1.703¢
State tax (RCC)	0.028¢
Total per kwh	9.458¢



The Chugach Outlet

A Publication of Chugach Electric Association, Inc.
5601 Minnesota Drive
P.O. Box 196300, Anchorage, Alaska 99519-6300



How to reach us

Our service center at 5601 Minnesota Drive is open from 8 a.m. - 6 p.m., Monday-Friday. Switchboard hours are 8 a.m. - 5 p.m.

Frequently called numbers

Main number	563-7494
Toll free	(800) 478-7494
Customer service	563-7366
Customer service fax	762-4678
Credit	563-5060
Power theft hotline	762-4731
Danger tree hotline	762-7227
On-line	http://www.chugachelectric.com

To report a power outage

In Anchorage	762-7888
Outside Anchorage	(800) 478-7494

Payment options

You may pay your bill by mail, automatic debit from your checking account, in-person at our service center or by using our curbside drop box. You may be able to pay by phone if your bank or credit union offers this service. Current payments may also be made at any Anchorage branch of the First National Bank of Anchorage.

Chugach Electric Association, Inc. is a not-for-profit member-owned electric cooperative and Alaska's largest electricity supplier. Chugach's mission is to meet the energy needs of members and customers by providing competitively-priced, reliable, safe energy and services today and into the future through prudent and responsible planning, maintenance and management of the assets of the cooperative.

Patricia Jasper, President	(907) 243-5678
Jewel Lake	
Chris Birch, Vice President	(907) 346-3265
Valli Vue	cjbirch@alaska.net
Bruce Davison, Secretary	(907) 563-6555
Sand Lake	davison@alaska.net
Mary Minder, Treasurer	(907) 248-1250
Sand Lake	
Ed Granger, Director	(907) 345-6462
Oceanview	72062.2054@compuserve.com
Pat Kennedy, Director	(907) 333-1217
Satellite Park	pkennedy@customcpu.com
Ray Kreig, Director	(907) 276-2025
Turnagain	ray@kreig.corh
Gene Bjornstad, General Manager	

CHUGACH
ELECTRIC
ASSOCIATION

ANNUAL
REPORT

1997

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CORPORATE MISSION

Chugach's mission is to maximize the value its customers receive by safely providing competitively priced, reliable energy and services through innovation, leadership and prudent management.

CORPORATE VISION

Be the customer-preferred provider of reliable utility services in regulated and competitive Alaskan markets.

INCORPORATION

Chugach Electric Association was incorporated in Alaska, March 1, 1948, with funding under the Rural Electrification Act of 1936, as amended. In 1991 Chugach refinanced and paid off its federal debt, leaving the REA program. Chugach remains a cooperative, and ranks among the largest of the nearly 1,000 electric cooperatives in the nation.

PERSONNEL POLICY

It is a policy of Chugach Electric Association, Inc. to provide employment, training, compensation, promotion, and other conditions of employment without regard to race, color, religion, national origin, sex, disability, veteran's status, age or any other classification prohibited by law. Chugach is also an affirmative action employer.



ON THE COVER

Chugach Electric Association is headquartered in Anchorage, Alaska's largest city. Chugach provides power to approximately two-thirds of the homes and businesses in the municipality. Anchorage sits at the base of the Chugach Mountains. The word "Chugach" comes from an Eskimo tribal name, which the Russians recorded as "Chugatz" or "Tchougatskoi." In 1898, U.S. Army Capt. W.R. Abercrombie spelled the name "Chugatch" and applied it to the mountains.

Customer choice was the theme for Chugach throughout 1997. The utility took a number of actions to promote the idea that customers deserve the right to choose their electric power provider. At the same time, Chugach was working to ensure it would be the reliable, affordable, preferred choice of both current and future customers. Among other actions:

In February, the Chugach board of directors passed a resolution declaring there would be no increase to base rates in 1997.

In April, Chugach supported legislation in Juneau that would have promoted competition in the Anchorage area for retail electric customers. It was a vastly different bill than one supported by most other utilities that would have raised walls around utility service territories.

The 1997 annual meeting was held April 30. Directors Chris Birch and Ray Kreig were returned to the board, and four proposed bylaw changes were approved by the 19.2 percent of the membership that voted in the election. A total of 196 members registered for the annual meeting.

The long process to build a new transmission line between Anchorage and the mid-Kenai Peninsula took another step forward when the route selection study was completed in June. Work then began on the draft environmental impact statement, expected to be completed in 1998.

Chugach launched several new programs in 1997. Two debuted in summer. "Construction performance guarantees" told customers and builders that Chugach would have their power connected by an agreed-upon date, or pay them for the inconvenience of delays. "Flexible due dates" let customers choose the day of the month their bills would be due.



A study identified routes for a Southern Intertie between Anchorage and the Kenai Peninsula to augment Chugach's existing 115-kilovolt transmission line.



Chugach completed strategic alliances in January to cut the cost of warehouse inventory.

A new strategic plan for the organization was adopted in September. Its priority issues are cost, organizational performance, regulatory barriers, corporate business direction and wholesale customer relations.

In September a pair of commercial customers served by Anchorage Municipal Light & Power formally asked Chugach to provide their power. The two separate cases provided an opportunity for Chugach to propose access charges to make it possible for the two utilities to move power over each others lines in response to customer demands for retail choice. The issue wound up in a docket before the Alaska Public Utilities Commission, and remained unresolved at year's end.

In October, Chugach, Matanuska Electric Association and Anchorage Municipal Light & Power completed the purchase of the Eklutna hydroelectric project from the federal government. It brought to a close a long process that officially began with the signing of a purchase agreement in 1989.

As the year closed, Chugach and Local 1547 of the International Brotherhood of Electrical Workers were negotiating new labor agreements to replace those due to expire Jan. 31, 1998. Approximately two-thirds of the Chugach work force is represented by the IBEW.



Gene Bjornstad, General Manager

Championing customer choice

Throughout 1997, Chugach continued to champion the idea that customers deserve the right to choose the company to supply their electric power. We fought this battle on many fronts.

Chugach opposed legislation pushed by many other Alaska electric providers that would have created walls around service territories. Instead, we supported an alternate bill that would have hastened customer choice in the Anchorage market. Neither bill moved out of committee, and we know there is more work to be done in Juneau.

Our reading of the law is that competition is already allowed under federal antitrust law. It can only be prevented when the legislature sets an explicit policy to replace competition with regulation, or when regulators have determined it to be occurring and to not be in the public interest. Since neither of those events has happened, we continue to press the issue on behalf of customers.

Customers in Anchorage overwhelmingly support customer choice. More than 90 percent of Anchorage registered voters surveyed think customers should have the right to choose the company from which they buy their electric power. Given the history of benefits to customers from the introduction of competition in other former monopolistic industries, this result is not surprising. With this level of public support we expect that the political support for the electric utilities opposed to competition will dwindle.

To better position Chugach for the competition we feel is inevitable in our industry, we reorganized the company to follow the three basic functions of producing, moving and retailing electric power. We created an internal "genco" (generation company), "wireco" (wires company) and "retailco" (retail services company). Each of these functions is headed by an executive manager responsible for key goals in their individual areas of responsibility. Each also provides shared services and cooperation necessary to the smooth operation of the overall organization.

While these divisions are largely invisible to customers, they have helped us focus on the core competencies of our business. The very ones which will be challenged by other organizations when customer choice becomes a reality in our marketplace. That day is coming, and when it does I think the organizational changes we made in 1997 will help us thrive.

In the meantime, they have helped us provide better services to customers. And that, after all, is why we're here.

Gene M. Bjornstad

Gene Bjornstad
General Manager

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Patricia Jasper, President

Setting a competitive course

It is the function of the board of directors to set policy for the organization. As a board, we have made it clear that we want to bring the benefits of competition to Chugach members. We are pursuing this effort on several levels simultaneously.

Perhaps most visible has been our effort to open the Anchorage-area power market to retail competition. We firmly believe that empowering customers to choose the company that supplies their electric power will lead to lower prices and better services. That's been the case in other industries that have been deregulated, and I believe it will be the same for our industry.

Some are surprised that a regulated monopoly like Chugach would voluntarily push for competition. First and foremost, as directors our purpose is to make decisions that serve the interests of the membership. It is our belief that retail electric competition will be good for customers. Consequently, it is our duty to push for change in our industry.

Secondly, we think Chugach has a good chance to not only survive, but thrive, in the coming competitive marketplace. We have been hard at work for the past few years to refocus the organization on meeting the needs of its customers and trim costs while maintaining reliability and safety.

In addition to our public push for customer choice, we have been advocates of competition in other areas of our business.

The board has taken steps to ensure our own bid process is open to all qualified, responsible and capable bidders. As a result, we have seen savings on goods and projects throughout the past year. This, again, demonstrates the benefit of competition to our consumers.

In recent years, Chugach has also participated in a number of benchmarking projects. This has allowed us to "compete" against other utilities across the country and around the world. We have learned much from these studies – including how to copy the practices of the "best performers." The end result has been improved efficiencies and reduced costs in many functions.

Competition is not always an easy path, but as a board we believe it is the best way to improve service to the membership we represent.

A handwritten signature in dark ink that reads "Patricia B. Jasper".

Patricia Jasper
President

Patricia Jasper, President

Patricia Jasper is a small-business owner and a former computer programmer and systems analyst. She was first elected to the board in 1995 and re-elected to a 3-year term in 1996.

Ed Granger, Vice President

Ed Granger is a professional engineer. He served on the board from 1991 to 1994, then was appointed to the board in 1995 to fill a vacancy and elected to the board in 1996.



Chris Birch, Secretary

Chris Birch is a senior project manager and licensed engineer. He was appointed to the board in November 1996 to fill a vacancy and elected to the board in 1997.

Mary Minder, Treasurer

Mary Minder is a realtor and associate broker. She was elected to the board in 1995.



Bruce Davison, Director

Bruce Davison is an attorney and professional engineer. He was appointed to the board in June to fill a vacancy left by director Kathleen Weeks.

Pat Kennedy, Director

Pat Kennedy is an attorney limiting her practice to guardian ad litem and child custody investigations. She has served on the board since 1993 and was re-elected in 1996.



Ray Kreig, Director

Ray Kreig is a professional civil engineer and geologist, and is president of R.A. Kreig & Associates. He has served on the board since 1994 and was re-elected in 1997.



Mary Minder, Treasurer

1997 was another year of sound financial performance for Chugach. We met all our required financial targets for the year and we did it without raising base rates for demand and energy.

In February, the board pledged to not raise base rate demand or energy charges during 1997. Later in the year, we also chose to not increase the fuel surcharge – despite rising fuel and purchased power costs. While this decision led to reduced margins, it helped us maintain stable, attractive rates for another year as we prepared for the retail competition we feel sure will come to the Anchorage area.

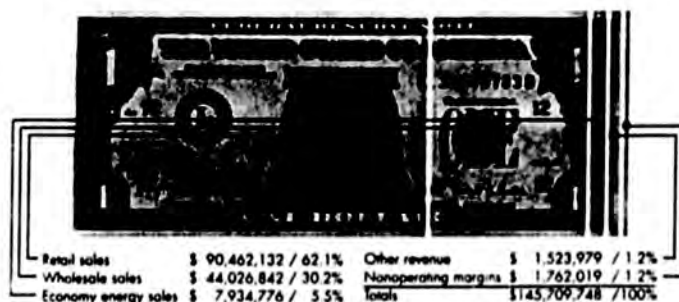
However, we could not ignore the impact of higher natural gas costs. During 1997, our goal was to hold base rates at their existing levels, while mitigating what will hopefully be a short-term hike in gas prices. We chose to use a balanced strategy of writing off a portion of the increased costs in 1997, while spreading the remaining portion over a longer period of time for collection in the fuel surcharge in 1998.

One of Chugach's solid bond ratings was reaffirmed in 1997. Chugach once again earned an "A+" from Fitch Investors Service, as well as a better-than-average score on the company's competitiveness test.

Here is a summary of Chugach's 1997 financial performance.

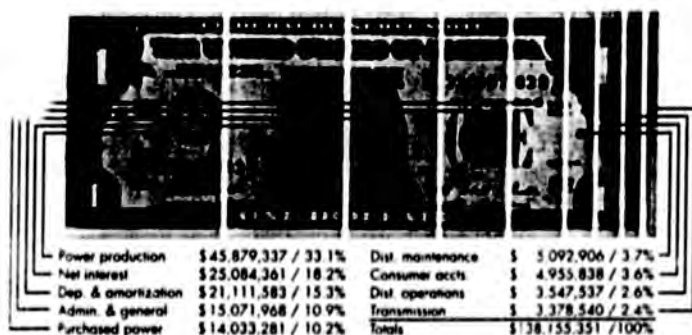
OVERVIEW

Chugach finished 1997 with total revenues of \$145.7 million, operating revenues of \$143.9 million, expenses of \$138.1 million and margins of \$7.5 million.



Revenues and other margins: \$145,709,748

Chugach earned total revenues of \$145.7 million in 1997, up 7.1 percent from 1996. Power sales accounted for \$142,423,750 of the total. Retail sales accounted for 63.5 percent of sales revenue, wholesale 30.9 percent and economy energy 5.6 percent.



Expenses: \$138,155,351

Chugach had expenses of \$138.1 million in 1997, up 9.4 percent from 1996. Most of the increase came from rising fuel expenses. Operating and maintenance expenses accounted for 65.7 percent of the total, while fixed expenses made up the remaining 34.3 percent. At \$45.9 million, the cost of producing power was the largest single expense for the utility in 1997 – and up 23.8 percent from a year earlier due largely to increased fuel costs.

KEY RATIOS

Chugach achieved a margins-for-interest-to-interest ratio of 1.2938 in 1997, above the 1.20 required by its indenture of trust. The equity-to-total-capitalization ratio (the accumulated ownership of the members in the capitalized plant of the utility) rose to 25.94 percent by year's end.

POWER SALES

Chugach sold 2.27 billion kilowatt-hours of electric service in 1997, a 2.4 percent increase from 1996. Sales were up in all three major categories from the year before. Retail sales rose 1.3 percent, while wholesale sales were up 0.4 percent and economy energy sales climbed 15 percent.

REVENUES

Chugach earned \$145.7 million in total revenue in 1997, up 7.1 percent from 1996. Operating revenues of \$143.9 million were up 6.7 percent from the year before. Sales revenues were up in all major categories. Retail sales revenues rose 4.8 percent from the year before. Wholesale revenues were up 7.3 percent. Economy energy revenues climbed 32.1 percent from 1996.

EXPENSES

Expenses totaled \$138.1 million in 1997, up 9.4 percent from 1996. Higher fuel costs contributed significantly to the increase.

MARGINS

Chugach earned \$7.5 million in margins in 1997. Although margins were down 23.2 percent from a year earlier, they were more than sufficient to meet or exceed all of Chugach's financial targets.

RETAIL RATES

Retail base demand and energy rates remained unchanged throughout the year. Rates have been extremely stable in recent years. Prior to 1997, Chugach last adjusted retail base rates in May 1995 – and that action was to lower rates. The last time base rates were lower than their 1997 level was in March 1993.

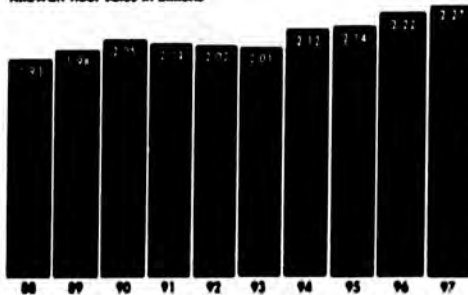
Power sales: 2,269,453,064 kilowatt-hours

Chugach sold 2.27 billion kilowatt-hours of electric service in 1997, up 2.4 percent from 1996. Retail sales accounted for 45.2 percent of all kwh sold. Wholesale followed at 42.4 percent and economy energy at 12.4 percent. The system peak load for the year was 397 megawatts. It was reached between 6 and 7 p.m. on Jan. 7, when the temperature at Chugach headquarters was 21 degrees below zero Fahrenheit. The 1997 peak broke the former all-time record peak of 385 megawatts that had stood since January 1989.

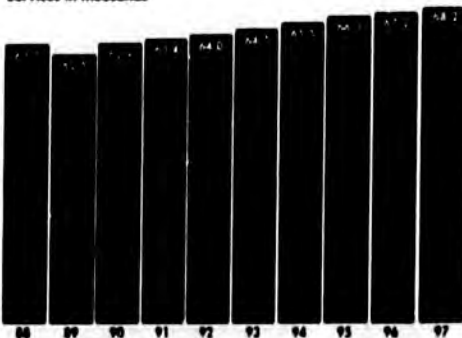
Services in place: 68,183

Chugach had 68,183 services in place at the end of 1997, up 1.5 percent from December 1996. A total of 1,223 new services were connected during the year, and 216 retired – for a net gain of 1,007. The number of idle services fell by 30.4 percent, from 1,837 at the end of 1996 to 1,279 at the end of 1997. Chugach's retail customer base is twice as large as any other electric utility in Alaska, and includes approximately two-thirds of the households in Anchorage.

Kilowatt-hour sales in billions



Services in thousands



WHOLESALE RATES

Likewise, wholesale base rates for demand and energy were also held constant throughout 1997. However, through a settlement agreement in a rate case with the wholesale customers, Chugach expects that their rates for 1997 will be reduced and has made provision for a refund. Final resolution of this issue awaits a decision by the Alaska Public Utilities Commission.

FUEL ADJUSTMENT

In January and again in April, the fuel surcharges for both retail and wholesale customers were raised to reflect increases in the cost of fuel and purchased power. These increases were driven by a number of factors, including increases in the three indexes used to adjust the price Chugach pays its suppliers for the natural gas to fuel its power plants. The hikes in the indexes were driven by a combination of unusual events – including a shortage of heating fuel on the East Coast and concurrent higher prices, along with a rise in the prices of consumer natural gas and crude oil. The indexes are expected to decline in 1998. Chugach was unable to get as much energy as anticipated from the Bradley Lake hydroelectric project due to lower reservoir levels early in the year. The reservoir was also drawn down and no power produced for a period between May and July to allow repair of a fish water bypass. While Chugach intentionally held off raising the fuel surcharge later in 1997 in anticipation of coming competition, it did file for fuel surcharge increases to go into effect in January 1998 for both wholesale and retail customers.

RESIDENTIAL SERVICE COST

The cumulative effect of increases to the fuel surcharge in January and April caused a moderate increase in the cost of residential electric service in 1997. In December, Chugach was charging residential customers a monthly service charge of \$6.25 and 8.9637 cents per kilowatt-hour (including energy, fuel adjustment and the state tax known as the regulatory cost charge). The cost for 750 kwh of residential service in December 1997 was \$73.48, up 4.8 percent from a year earlier.

BONDS

In 1997, Chugach continued to reduce the cost of its long-term debt by taking advantage of lower interest rates. The cooperative reacquired another \$5 million of its long-term bonds, originally issued as 30-year instruments in 1991 at an interest rate of 9.14 percent. This action saved approximately \$100,000 in interest costs in 1997 alone. The reacquisition was initially financed using a line of credit from CoBank. A \$15 million bond was subsequently issued to CoBank to cover the cost of the acquisition and capital construction. This bond matures in three \$5 million increments in 2002, 2007 and 2012 – and carries a variable interest rate that was 6.65 percent at time of issue. From its 1991 refinancing, Chugach had \$217.7 million in publicly traded 30-year bonds, and \$28.8 million in 10-year bonds outstanding at Dec. 31, 1997. In addition, it had a cumulative total of \$71.3 million in outstanding bonds issued to CoBank.

CAPITAL CREDITS

Chugach allocated \$9.8 million in 1996 margins in October. Of the total, \$8.2 million was credited to retail members of record. The balance was allocated to wholesale customers Matanuska Electric Association, Homer Electric Association and the City of Seward. In November, the board approved retiring the \$1.9 million in retail capital credits remaining on the books from 1983. At the same time, the board authorized returning \$1.2 million in 1987 credits to wholesale customers MEA, HEA and Seward. Chugach also made \$250,346 in capital credit payments to 499 estates in 1997.

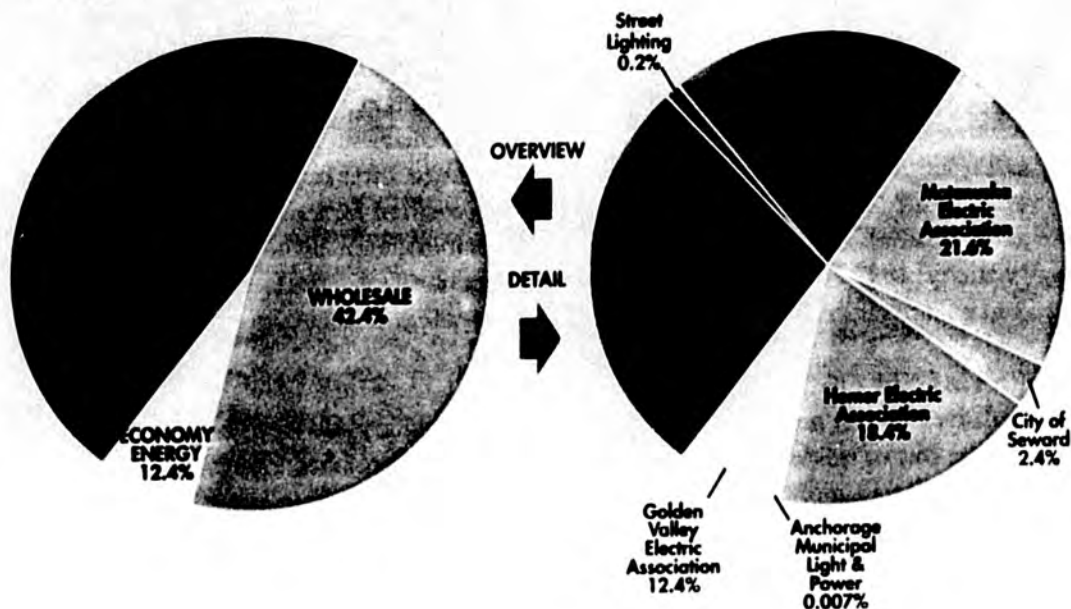
In summary, Chugach maintained stable base rates while meeting all its financial goals for the year.

Mary Minder

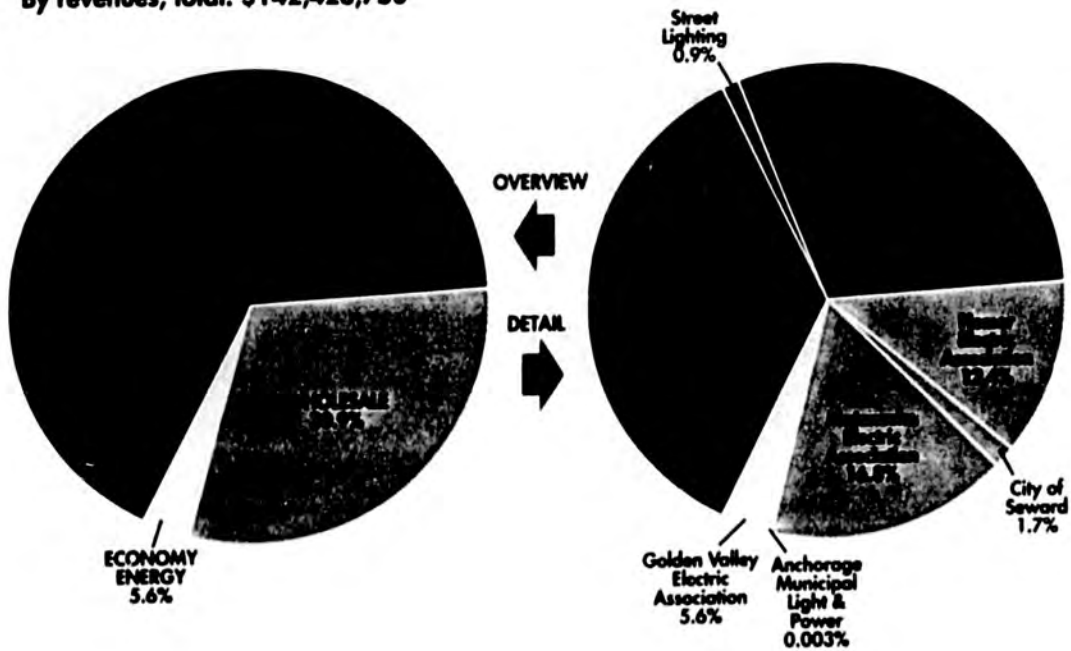
Mary Minder
Treasurer

POWER SALES AT A GLANCE

By kilowatt-hours, total: 2,269,453,064



By revenues, total: \$142,423,750



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December 31, 1997 and 1996

ASSETS	1997	1996
Utility plant:		
Electric plant in service	\$625,365,803	\$ 615,464,060
Construction work in progress	24,664,395	19,826,957
	650,030,198	635,291,017
Less accumulated depreciation	232,136,950	215,411,223
Net utility plant	417,893,248	419,879,794
Other property and investments, at cost:		
Nonutility property	3,550	3,550
Investments in associated organizations	7,864,271	7,647,189
Restricted cash-margins from Economy		
Energy sales, all purchase agreements	-	1,599,239
	7,867,821	9,249,978
Current assets:		
Cash and cash equivalents, including		
repurchase agreements of \$6,351,291 in 1997		
and \$6,216,073 in 1996	5,224,529	5,419,819
Cash-restricted construction funds	364,778	1,371,386
Special deposits	151,703	89,232
Accounts receivable, less provision for		
doubtful accounts of \$367,029 in 1997		
and \$367,085 in 1996	23,999,138	15,369,883
Materials and supplies, at average cost	15,619,085	16,187,592
Prepayments	558,371	694,257
Other current assets	305,415	294,380
Total current assets	46,223,019	39,426,549
Deferred charges	13,583,211	13,932,109
	\$485,567,299	\$ 482,488,430

LIABILITIES

	1997	1996
Equities and margins:		
Memberships	\$ 861,543	\$ 812,748
Patronage capital	104,800,092	100,685,517
Other	3,458,062	2,979,677
	109,119,697	104,477,942
Long-term obligations, excluding current installments:		
First mortgage bonds payable	240,910,000	251,553,000
National Bank for Cooperatives bonds payable	71,096,501	56,352,847
	312,006,501	307,905,847
Current liabilities:		
Notes payable	-	2,750,000
Current installments of		
long-term debt and capital leases	5,913,512	5,971,752
Accounts payable	7,038,234	5,178,161
Consumer deposits	1,038,241	1,066,906
Accrued interest	6,904,335	7,076,388
Salaries, wages and benefits	3,655,101	3,583,422
Fuel	6,611,415	6,047,574
Other	3,300,310	5,012,191
Total current liabilities	34,461,148	36,686,394
Deferred credits	29,979,953	33,418,247
	\$485,567,299	\$ 482,488,430

STATEMENTS OF REVENUES, EXPENSES & PATRONAGE CAPITAL

Years ended December 31, 1997, 1996 and 1995

	1997	1996	1995
OPERATING REVENUES	\$143,947,730	\$134,876,668	\$129,379,308
OPERATING EXPENSES:			
Production	45,879,337	37,066,444	31,533,567
Purchased power	14,033,282	10,024,483	10,136,623
Transmission	3,378,540	3,667,039	3,460,823
Distribution	8,640,443	8,789,683	10,008,020
Consumer accounts	4,955,838	6,978,856	7,089,847
Administrative, general and other	15,071,966	13,713,690	14,395,125
Depreciation	21,111,584	20,673,609	19,296,356
Total operating expenses	113,070,990	100,913,804	95,920,361
INTEREST:			
On long-term debt	24,942,281	25,029,257	25,559,725
Charged to construction - credit	(629,764)	(616,090)	(1,114,928)
On short-term debt	771,844	935,883	612,375
Net interest	25,084,361	25,349,050	25,057,172
Net operating margins	5,792,379	8,613,814	8,401,775
NONOPERATING MARGINS:			
Interest income	632,191	695,699	730,041
Other	520,414	566,908	351,586
Property gain (loss)	609,413	(45,050)	(477,209)
Assignable margins	7,554,397	9,831,371	9,006,193
Patronage capital at beginning of year	100,685,517	95,421,358	91,079,686
Retirement of capital credits and estate payments	(3,439,822)	(4,567,212)	(4,664,521)
PATRONAGE CAPITAL AT END OF YEAR	\$104,800,092	\$100,685,517	\$ 95,421,358

Years ended

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S T A T E M E N T S O F C A S H F L O W S

Years ended December 31, 1997, 1996 and 1995

	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Assignable margins	\$ 7,554,397	\$ 9,831,371	\$ 9,006,193
Adjustments to reconcile assignable margins to net cash provided by operating activities:			
Depreciation and amortization	23,532,263	23,221,162	21,846,611
Capitalized interest	(799,999)	(809,302)	(1,354,273)
Property (gains) losses and obsolete inventory write-off	(609,413)	45,050	477,434
Other	(241,317)	(265,643)	343,806
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Special deposits	(62,471)	8,557	(44,332)
Accounts receivable	(8,629,254)	1,738,940	(3,492,435)
Notes receivable	-	-	2,533
Prepayments	135,886	(19,140)	194,790
Materials and supplies, net	568,507	2,311,191	1,527,094
Deferred charges	(2,299,547)	(4,581,795)	(2,222,963)
Other	(11,035)	117,829	(14,740)
Increase (decrease) in liabilities:			
Accounts payable	1,860,074	(1,481,316)	3,125,594
Accrued interest	(172,052)	(976,398)	(136,434)
Deferred credits	(755,366)	(8,023,874)	(3,274,768)
Consumer deposits, net	(28,665)	(52,150)	(73,789)
Other	(1,076,365)	5,956,463	389,099
Total adjustments	11,411,246	17,189,574	17,293,227
Net cash provided by operating activities	18,965,643	27,020,945	26,299,420
CASH FLOWS FROM INVESTING ACTIVITIES:			
Extension and replacement of plant	(17,487,859)	(20,605,093)	(22,058,887)
Decrease in investments in associated organizations	24,235	132,261	267,393
Net cash (used) in investing activities	(17,463,624)	(20,472,832)	(21,791,494)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer to restricted construction funds	1,006,608	(1,371,386)	-
Net increase (decrease) in notes payable	(2,750,000)	(5,250,000)	500,000
Proceeds from long-term debt	15,000,000	45,000,000	10,000,000
Repayments of long-term debt	(10,957,586)	(42,429,853)	(8,312,527)
Memberships and donations received (refunded)	527,179	(16,768)	309,821
Retirement of patronage capital	(3,439,822)	(4,567,212)	(4,664,521)
Increase in (refunds) and transfers of consumer advances for construction	(1,083,688)	1,627,442	(1,309,828)
Net cash used by financing activities	(1,697,309)	(7,007,777)	(3,477,055)
Net increase (decrease) in cash and cash equivalents	(195,290)	(459,664)	1,030,871
Cash and cash equivalents at beginning of year	5,419,819	5,879,483	4,848,612
Cash and cash equivalents at end of year	\$ 5,224,529	\$ 5,419,819	\$ 5,879,483
Supplemental disclosure of cash flow information			
interest expense paid,			
net of amounts capitalized	\$ 25,256,413	\$ 26,325,449	\$ 25,193,606

Chugach has been participating in benchmarking projects for the past few years. One goal is to see how Chugach's efficiency compares to others for key activities. A second is to learn how to do a better job by learning from the "best performers" in a study.

Study participants vary in size and geographic location. Occasionally, results must be adjusted for unique operating conditions like Alaska weather. The process has returned steady benefits to Chugach.

Chugach's benchmarking efforts have helped lower costs and improve services. This report illustrates some of the ways benchmarking projects helped Chugach in 1997.

Mailroom operations

Each month Chugach mails tens of thousands of pieces of outgoing mail to consumers. The three primary cost drivers are materials, labor and machinery. An analysis in 1997 indicated that Chugach could save thousands of dollars by outsourcing the work, as many other benchmarking participants did. Chugach did just that, with estimated 1998 savings of 56 percent from 1997.

Mailroom operations

1997 Internal labor and machine costs

10.2¢ per piece

1998 Outsourced costs

4.5¢ per piece

Remittance processing

When a customer sends back a check along with the stub from their bill, someone must open the envelope, separate the items, reconcile the amounts and credit the account. This is remittance processing. Benchmarking identified this function as a source of probable savings and indeed, Chugach estimates it will save approximately 52 percent by outsourcing this function in 1998.

Remittance processing expense

1997 Internal costs

18.0¢ per piece

1998 Outsourced costs

8.8¢ per piece

Benchmarking highlights

Strategic alliances

Early in the year, Chugach signed strategic alliances designed to significantly cut purchasing, inventory and warehousing costs without affecting service. The alliances formed partnership arrangements between Chugach and major suppliers to provide mutual benefits.

Chugach was the first electric utility in Alaska to complete a strategic alliance with an electrical supplier.

The vendors came away with the certainty of sales. Chugach secured better unit prices and a promise that vendors would warehouse part of the inventory with a guarantee of quick delivery.

Chugach estimated it saved about \$1.1 million in 1997 due to these strategic alliances.

Reliability

Reliability is critically important to customers. In a 1997 benchmarking study, Chugach found that it had outstanding distribution system reliability compared to 21 electric utilities from the United States, Canada, the United Kingdom, Australia and New Zealand.

Chugach's distribution system reliability was excellent. The study authors identified it as "world class." Both the low frequency and short duration of Chugach's distribution system outages contributed to this designation.

However, that reliability came at a price that was high compared to other study participants – and illustrated the delicate balance between reliability and costs.

An interesting footnote: One of the other study participants was a New Zealand utility that serves Auckland. The core of that city has been suffering through a weeks-long outage in early 1998 caused by cable failures.

Warehouse

The long-term goal is to see how Chugach's efficiency compares to others for key activities. A second is to learn how to do a better job by learning from the "best performers" in a study.

Warehouse

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Glossary

Benchmarking

A systematic process of collecting data relating to the services and work processes of other electric utilities, for the purposes of comparison and the identification of best practices.

Best practices

Technological innovations and work processes which improve economic efficiency while maintaining established system reliability, safety, value and service to customers.

Outsourcing

Hiring an outside vendor to provide a service instead of doing it in-house.

Service connection

Installation of an electrical facility from an existing transformer, pole or other readily available power source to the customer's meter location.

Strategic alliance

A partnership relationship between a business and its suppliers which provides mutual benefits.

Turns

The number of times an inventory is "issued out" in a year. A higher number of turns indicates a more efficient use of the capital invested in inventory.

Unit price

A contractor price established for a particular electrical construction assembly for labor and material whereby the price can be used repeatedly for the same type of work on the project.

Warehouse inventory turns

The longer an item stays in warehouse inventory, the more costly it is. Chugach discovered it was well below the standard of the best performers when it came to inventory turns. The creation of strategic alliances in 1997 not only saved money by reducing unit costs, it helped improve warehouse turns. Chugach is encouraged by the progress it made in 1997, and is working toward a long-term goal of increasing turns to four (six for some items) per year.

Warehouse inventory turns



New service connections

A 1995 benchmarking study found Chugach's average service connection time in 1994 was approximately 6 days. At the same time, the "best performers" were averaging less than 5 days. Process evaluation and modification reduced the average installation time to approximately 5 days in 1996 – and an average of 3.6 days in 1997. Chugach's 1998 target is to complete new service installations within 5 days.

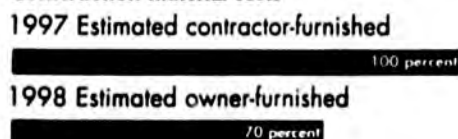
New service connection time



Owner-furnished material

The creation of strategic alliances in 1997 led to dramatic savings in the cost of materials, many of which are routinely used on construction projects. Chugach used to purchase materials for a project through its contractors. However, analysis determined Chugach could cut costs by furnishing contractors with materials – thereby avoiding both higher unit prices and markup. A test from August to October confirmed lower material costs without delay to a single project. This change is expected to provide significant savings in 1998.

Construction material costs



In June Chugach created an organization with the primary responsibility of ensuring that customers receive both innovative and responsive services. Chugach's marketing and customer services functions form the core of this new Retail Services organization. In addition, it also provides administrative, computer and public relations services and support throughout the company. Throughout the year, Retail Services worked to meet and exceed customers needs and expectations. In 1997 Chugach:

- Began a program which allows any customer to choose the date their monthly bill is due. Chugach was the first electric utility in Alaska to offer this program. By the end of the year more than 3,000 customers had chosen their own due date.



Chugach began offering gift certificates in time for the holidays, but the program is available year-round.



In August, Chugach launched a unique "flexible due date" program which allows customers to pick the day of the month their bill is due.

- Gave customers who choose to pay their coming year's bill in advance a \$25 discount.
- Initiated a year-round program which allows anyone to purchase gift certificates for customers.
- Performed 449 residential and 72 commercial energy audits for customers.
- Allocated \$8.2 million in 1996 retail capital credits and sent notices to members of record.



In the fall, Chugach began offering a \$25 discount to customers who want to pay their next year's bill in advance.



Chugach's home page (www.chugachelectric.com) recorded about 7,000 visits in 1997.

- Retired \$1.9 million in retail capital credits from 1983 and mailed checks to members of record.
- Received 134,052 calls through the Member Services Department during normal operations. Of those, 27,546 were handled by Chugach's interactive voice response system.
- Created a Marketing Department to develop and promote customer-focused services and provide special representatives for key commercial accounts.

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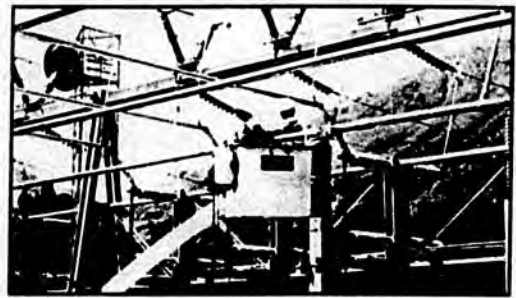
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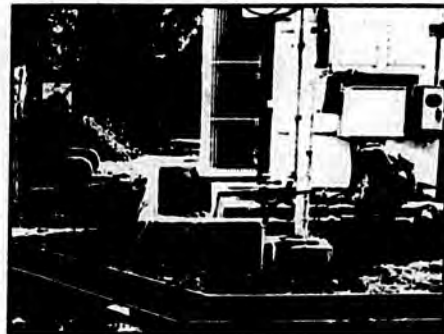
TRANSMISSION & DISTRIBUTION NETWORK SERVICES

As part of a June reorganization, Chugach created an area of the company to manage the infrastructure that links power plants to customers. Transmission & Distribution Network Services designs, builds, upgrades and maintains Chugach's "wires business" including substations. It also is responsible for electronic communications, the power control center and asset management. Among other projects, in 1997 T&D Network Services:

- Installed new 115-kilovolt breakers at the Daves Creek Substation.
- Replaced the 230-kv switches at the Point MacKenzie transmission substation.
- Completed 74 line extension projects, including several new subdivisions. Building activity increased throughout the Anchorage area in 1997.
- Developed a computer-assisted design system that allows distribution designers to create their own projects online, cutting the time required to complete a project.



New 115-kv breakers were installed at the Daves Creek transmission substation to improve operational reliability.

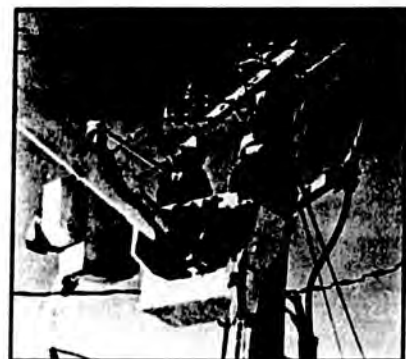


The Klatt distribution substation was expanded and upgraded in 1997.



A unique "construction performance guarantees" program promises to pay customers for projects delayed beyond agreed-upon dates, if Chugach is responsible.

- Rebuilt the Klatt Substation to provide improved service and expanded capacity.
- Replaced aging underground cable in Anchorage's Heather Meadows, Chugach Foothills and Bonibrook subdivisions, as well as Waldec trailer park.
- Reconductored approximately a mile of overhead 12.5-kv distribution line along 100th Avenue.
- Replaced aging distribution line to upgrade the service to an FAA radar facility at the Anchorage International Airport.
- Installed a trio of 115-kv switches to allow Chugach to sectionalize both the transmission and distribution systems at the Hope Substation.
- Responded to outages throughout the system including a December ice storm that snapped a 1,700-foot span of 115-kv conductor and dropped it into the steep and deep gorge of Canyon Creek.
- Cleared 131 line miles of transmission, and 122.5 line miles of distribution rights of way.



Chugach upgraded the three 12.5-kv feeders that serve the Anchorage International Airport in 1997.

1997's internal restructuring put the responsibilities for Chugach's financial performance and its present and future generation resources under a new organization called Finance & Energy Supply. It also manages corporate analysis and business planning, rates and economics functions, wholesale power contracts, and fuel supply contracts. While many of the group's activities are covered throughout this annual report, this page highlights the generation resources Chugach uses to ensure reliable, affordable power.

Chugach has 513.1 megawatts of installed capacity as detailed below. The ratings are taken at 30 degrees Fahrenheit. Chugach also takes power from the state-owned Bradley Lake hydroelectric project near Homer.



BELUGA

- Located on the west side of Cook Inlet near Tyonek
- Combustion turbines 1 – 7 fueled by natural gas
- Unit 8 is steam turbine

Units	Commissioned	Power Rating
No. 1	1968	15.7 megawatts
No. 2	1968	15.7 megawatts
No. 3	1972	64.7 megawatts
No. 5	1975	66.5 megawatts
No. 6	1975	74.0 megawatts
No. 7	1978	74.0 megawatts
No. 8	1981	55.0 megawatts
Total		365.6 megawatts



BERNICE LAKE

- Located near Nikiski on the Kenai Peninsula
- Natural gas combustion turbines

Units	Commissioned	Power Rating
No. 2	1971	19.0 megawatts
No. 3	1978	25.5 megawatts
No. 4	1981	25.5 megawatts
Total		70.0 megawatts



INTERNATIONAL

- Located off International Airport Road in Anchorage
- Natural gas combustion turbines

Units	Commissioned	Power Rating
No. 1	1964	15.0 megawatts
No. 2	1965	15.1 megawatts
No. 3	1969	18.5 megawatts
Total		48.6 megawatts



COOPER LAKE

- Located near Cooper Landing on the Kenai Peninsula
- Hydro-turbines

Units	Commissioned	Power Rating
No. 1	1960	8.6 megawatts
No. 2	1960	8.6 megawatts
Total		17.2 megawatts



EKLUTNA

- Former federal hydroelectric project along the Knik River
- Jointly owned with Anchorage Municipal Light & Power and Matanuska Electric Association
- Chugach's share is 30%, 11.7 Mw maximum.

Units	Commissioned	Power Rating
No. 1	1955	23.5 megawatts
No. 2	1955	23.5 megawatts
Total		47.0 megawatts

Chugach average
1997, down from
5-year average
2.54 hours in

INDEX

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CORP

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Chugach averaged 1.24 outage hours per customer in 1997, down from 2.7 outage hours in 1996. The 5-year average for consumer outage hours declined to 2.54 hours in 1997 from 6.5 hours in 1996.

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CREDITS

Photography

Cover photo by Chris Arend Photography
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Photography, Randy Brandon, Al Grillo,
and Chugach Staff

Publishing and production

Bradley/Reid Communications

Paper, inks, and recycling information

The 1997 Chugach Annual Report was printed in Alaska with environmentally friendly vegetable based inks. The report is printed on 80 lb. text Topkote, coated paper stock, containing 50 percent recycled fiber with a minimum of 10 percent post-consumer waste. Recycle with white paper.

KEY COMPARISONS

Services at year end

1996 67,176
1997 68,183 1.5% increase

Kilowatt-hours sold

1996 2.22 billion
1997 2.27 billion 2.4% increase

Retail kwh

1996 1.01 billion kwh
1997 1.03 billion kwh 1.3% increase

Wholesale kwh

1996 957.3 million kwh
1997 961.2 million kwh 0.4% increase

Economy energy kwh

1996 246.1 million kwh
1997 283.0 million kwh 15.0% increase

Total revenue

1996 \$136.1 million
1997 \$145.7 million 7.1% increase

Expenses

1996 \$126.3 million
1997 \$138.2 million 9.4% increase

Margins

1996 \$9.8 million
1997 \$7.5 million 23.2% decrease

Cost per residential kwh in December (all "per kwh" charges)

1996 8.5152¢
1997 8.9637¢ 5.3% increase

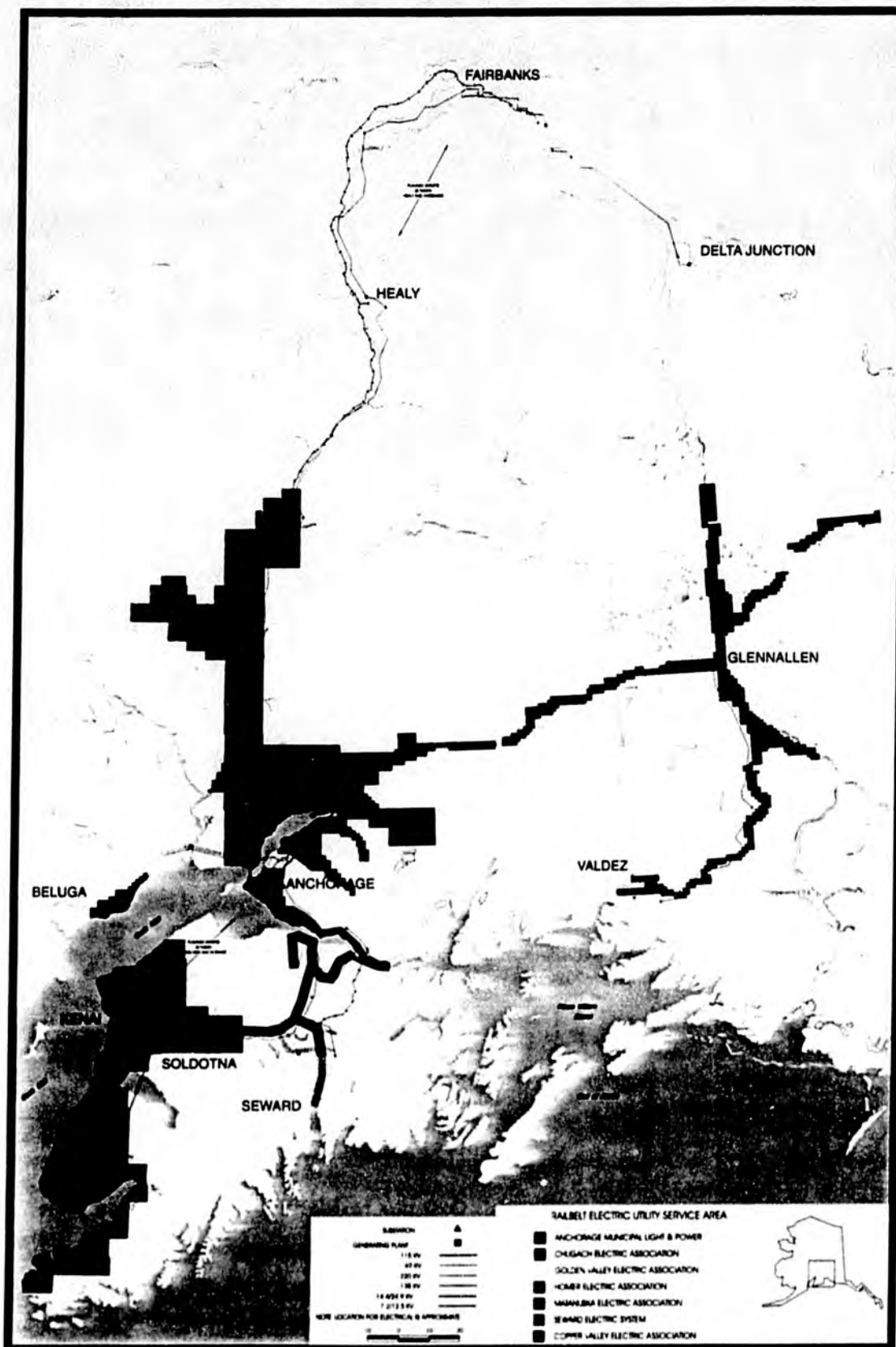
Note: 1996 U.S. Average 8.36¢ per kwh

Cost of 750 kwh of residential service in December

1996 \$70.10
1997 \$73.48 4.8% increase

Change in Anchorage consumer price index Up 1.2% for 1997 (CPI)

THE CHUGACH SYSTEM



Chugach power flows to nearly three-fourths of Alaska's population. Chugach serves more than 68,000 metered retail locations in a service territory which extends from Anchorage to the northern Kenai Peninsula, and from Whittier on Prince William Sound to Tyonek on the west side of Cook Inlet. Chugach provides power to Alaskans from Homer to Fairbanks through sales to wholesale and economy energy customers: Matanuska Electric Association, Homer Electric Association, the City of Seward, Golden Valley Electric Association and Anchorage Municipal Light & Power.

Chugach has 513.1 megawatts of installed generation capacity at five power plants. Chugach operates 1,973 miles of energized line, comprised of 402 miles of transmission line, 931 miles of overhead distribution line and 640 miles of underground distribution line.

Chugach's 1997 system peak load of 397 megawatts occurred between 6 p.m. and 7 p.m. on Jan. 7. Power sales for the year totalled 2.27 billion kilowatt-hours. Chugach finished 1997 with total revenues of \$145.7 million and margins of \$7.5 million.

Questions

Why is there discussion about restructuring the industry at all?

Is there any reason to think that will happen?

What are other states doing?

Could Alaska's electrical infrastructure support competition?

Do people in Anchorage want customer choice?

What about rural Alaska?

Will providing customer choice lead to lower bills for customers?

Answers

Across the country, customers have begun demanding the right to choose the company they buy power from in an attempt to save money and improve services.

At one time, the airline, natural gas, telephone and trucking industries were all regulated. Studies have shown that overall, customers have benefited from the deregulation of these industries.

Nearly all states are addressing electric utility restructuring.

Although Alaska is not electrically linked to the Lower 48, the Railbelt region is interconnected in a power grid that stretches from Homer to beyond Fairbanks. Wholesale competition has worked in the Railbelt. Within this region, six electric utilities currently provide retail service, and there are multiple sources of generation. Anchorage in particular seems like a logical place to introduce retail customer choice.

A 1998 survey revealed that about 90 percent of Anchorage residents feel they should be able to choose the company which provides their electric power.

The retail electric competition that is being discussed for the Railbelt and Lower 48 is really only practical on an interconnected grid. Bush utilities are usually isolated, stand-alone systems not linked to a grid.

Probably. While it's difficult to say just how much a given customer might save, it's clear that just the threat of competition has led Railbelt utilities to voluntarily cut costs and pass savings on to customers in recent years. It's reasonable to expect that to continue.

Questions

Would customers see any benefits other than lower prices?

Would restructuring the Alaska electric industry mean we'd have more wires and poles?

Who would respond in case of a power outage?

What would it take to make it possible for individual customers in Anchorage to choose their power supplier?

Without regulation, what would control prices?

Answers

As in other industries that have gone through deregulation, customers would no doubt see improved service offerings and other benefits. Once again, some of this has already begun as utilities prepare for the day customers will be allowed to choose their power provider.

Not unless the Legislature goes beyond the retail energy sales competition under discussion in most other parts of the country to require competition in the transmission and distribution systems. Most people feel that the "wires" part of the utility business will continue to be non-competitive and regulated by the Alaska Public Utilities Commission to prevent the duplication of infrastructure and set fair "wheeling" charges for the use of a company's system.

The same people who do today. If an outage happened at a power plant, the employees at the plant would take care of it. If it happened because of a problem on the transmission or distribution system, owners of that system would take care of the problem — just as they do today.

Action by either the Legislature or the Alaska Public Utilities Commission could allow customers to choose. To date the Alaska Public Utilities Commission has blocked initial efforts to bring competition to Anchorage. A clear statement from the Legislature in support of competition would provide helpful guidance to the APUC as it considers future proposals to make customer choice a reality.

Market forces have proven effective at controlling prices in almost every other area of the American economy, including critical functions such as food, fuel, and transport. There is no reason to think they would not work in the electric business as well. Once customers are given the power to choose, it is logical to think that providers will need to keep prices competitive in order to keep customers.

With a combination of innovative customer services, excellent reliability and reasonable rates, Chugach plans to meet the needs of its customers today and the demands of a competitive marketplace in the future once customers in Alaska are free to choose their electric supplier. To learn more about Chugach, visit the utility's award-winning homepage at www.chugachelectric.com

Innovative

Chugach Electric Association is Alaska's largest electric utility. It's also an innovative provider of services to its customers.

For instance, any customer can pick the day of the month they'd like their bills to come due, under the flexible payment due date program. Construction performance guarantees assure a customer that the utility will complete line extensions or service connections by an agreed upon date, or begin paying them for the inconvenience. (Assuming the delay is caused by something under Chugach's control.) Chugach's "electric check" program lets customers tailor billing and payment options using a range of choices. And summary billing creates a single sheet bill that lets customers with multiple accounts make comparisons and a single monthly payment – while still providing the individual account detail on accompanying pages.

Programs like these and others have led to consistently high approval ratings for Chugach in customer surveys. The utility is also the leader in advocating for change in Alaska's electric utility industry.

Energy

Chugach uses a mix of natural gas and hydroelectric resources to provide clean, reliable, affordable energy. Chugach owns and operates four power plants of its own – including Beluga, the largest power plant in the state. It is a co-owner of a hydroelectric project purchased from the federal government in 1997. Chugach also takes the largest single share of the State-owned Bradley Lake hydroelectric project and dispatches a single-turbine plant owned by another utility.

Chugach operates 1,973 miles of transmission and distribution line.

Most of Chugach's power comes from gas-fired turbine-generators. In 1997, 91 percent of the kilowatt-hours it sold were produced using natural gas as a base fuel for either single or combined-cycle combustion units. The other 9 percent came from hydro resources.

With most of its power coming from gas turbines, a steady supply of natural gas is crucial to Chugach. The utility has long-term contracts with multiple suppliers that will provide a stable, reliable, reasonably priced supply of fuel until at least the year 2015.

In addition to its gas-fired and hydroelectric generation, Chugach is pursuing on-site fuel cell projects, and is investigating the practicality of wind turbines to meet customer desires.

Despite the challenges of operating in Alaska, Chugach customers pay rates that are in line with the national average and enjoy very reliable service. In 1997 Chugach averaged only 1.24 outage hours per consumer – which translates to power being on 99.99 percent of the time.

Choice

Chugach has been virtually alone in saying that individual customers should have the right to choose the company that provides their electric service. The utility has championed customer choice before both the Legislature and the Alaska Public Utilities Commission. That position is in line with repeated public opinion surveys that show that more than 90 percent of customers think they should have the right to choose their power provider.

Chugach serves a retail customer base of 55,000 members at 68,000 metered locations. Chugach provides power to about two-thirds of the homes and businesses in Anchorage. In addition, Chugach provides power for Alaskans throughout the Railbelt region through wholesale and economy energy sales to other utilities from Homer to Fairbanks.



ENERGY

Power Unbound

STATE BY STATE

Where deregulation currently stands across the country

— Compiled by the STAFF OF DOW JONES NEWSWIRES —

ALABAMA

A 1996 law set up a mechanism for utilities to recover stranded costs, or expenses incurred under regulation that could not easily be recovered under competition. The Public Service Commission is studying competition but has set no date to begin deregulation.

ALASKA

The state's largest utility, Chugach Electric Association, has urged the Public Utility Commission and legislators to allow retail electric competition in Anchorage and surrounding areas.

ARIZONA

Under a law signed in May, competition will be phased in starting at year's end, with 20% of public power customers getting the freedom to choose providers, and full competition arriving by Jan. 1, 2001.

ARKANSAS

The Arkansas Public Service Commission last fall approved a settlement with Entergy Arkansas Inc., the state's largest utility, that included a rate cut followed by a freeze until 2001, with no date set for competition. The commission held a hearing on deregulation in May and will submit a report to the Legislature when it meets next year.

CALIFORNIA

California has been one of the fastest-moving states on competition. On April 1, millions of electricity customers in California gained the right to choose their power suppliers. Customers within the territories of municipal utilities are to follow by 2002. But an initiative on the ballot this November would undo key parts of the restructuring. If the initiative passes, the courts could spend years deciding who will repay bonds that were issued to pay for stranded costs and rate cuts.

COLORADO

year. The rest of the state's customers will be able to choose as of July 1, 2000. The issue of stranded costs hasn't yet been resolved.

DELAWARE

A bill seeking to open the state's power business to competition failed to reach a vote in the state Senate in June. No action is expected before the next legislative session, which starts Jan. 1, 1999.

FLORIDA

A bill to offer retail choice to consumers starting Jan. 1, 2001, was introduced earlier this year in the Florida Legislature, but wasn't passed. Opponents appear likely to keep the upper hand.

GEORGIA

The Public Service Commission released its blueprint for studying retail competition earlier this year and forwarded it to the Legislature. Lawmakers haven't yet acted on it, but the commission plans to continue working on major issues, including reliability of service and stranded costs.

HAWAII

In response to a request from the Legislature, which wants competition to start in December, the Public Utility Commission is drafting a restructuring plan and formally investigating the issues surrounding retail electric competition.

IDAH

Idaho is awaiting more signals from the federal government on nationwide policy before moving forward on its own. Washington Water Power and Idaho Power have offered choice pilot programs for their retail cus-

2002. The law also allows utilities to recover stranded costs.

INDIANA

Legislation that would have set up an independent system operator to supervise access to transmission lines failed to pass the state Senate by a narrow margin in February. Supporters agreed to rewrite parts of the bill to increase the chances of passage in the next session, which starts in January.

IOWA

The 1999 legislative session is expected to focus on restructuring, but appears unlikely

KENTUCKY

Legislation passed earlier this year established a task force to study deregulation. The task force will begin meeting next month and has to report to the Legislature and governor by Nov. 15, 1999.

LOUISIANA

The state's Public Service Commission is holding hearings that may lead to the setting by year's end of a date for competition. The commission is expected to lead the effort to restructure the industry in Louisiana.

MAINE

mission's order, but will probably try again next year.

MASSACHUSETTS

Full competition began March 1, 1998, under a deregulation law signed last fall. A referendum on whether to repeal the current deregulation law goes before voters in November. Some electricity marketers complain that they have been priced out of the market for now by provisions of a state-mandated 10% rate cut.

MICHIGAN

Though no comprehensive legislation has been introduced to date, many draft bills have been circulated to forge consensus. And the state's Public Service Commission in January approved a restructuring plan; it would take effect 30 days after federal approval, but is being appealed by the state's utilities.

MINNESOTA

The Minnesota Legislature this spring approved the creation of a task force on electric restructuring, expected to report back in January 1999.

MISSISSIPPI

The Mississippi Public Service Commission has ordered the state's two largest investor-owned utilities, Entergy Mississippi Inc. and Mississippi Power, to prepare market and reliability studies to be considered before year's end. Legislative action isn't expected until 1999, though Jan. 1, 2001, is the proposed date to allow full retail competition.

MISSOURI

A task force created by the Missouri Public Service Commission presented its final report in May without reaching agreement on

tail pilot programs for smaller customers expected to start in late 1998.

NEBRASKA

The Legislature is awaiting the results of an advisory panel's study of the state's power industry, scheduled to be completed by the end of next year.

NEVADA

The Public Utilities Commission is working on a list of electricity services it believes could be open to competition, and is considering how to set policy. By law, all customers will be able to choose a power provider no later than Dec. 31, 1999, unless the commission determines that a different date is in the public interest.

NEW HAMPSHIRE

Retail competition was scheduled to begin July 1, but it was put on hold due to litigation in a Public Service Co. of New Hampshire restructuring case.

NEW JERSEY

The state's Board of Public Utilities this month expects to submit to legislators its plan to deregulate the retail power market in 1999. A vote is expected by Thanksgiving.

NEW MEXICO

In January, a restructuring bill failed to make it out of a legislative committee. Another bill is expected to be introduced in January 1999.

NEW YORK

Utilities in several parts of the state have started offering customers the chance to choose their power provider under terms of a 1996 order issued by the state's Public Service Commission.

NORTH CAROLINA

The General Assembly last year created a task force to study electric deregulation. An independent assessment commissioned by



Under a measure passed by the Legislature earlier this year, a 30-member panel will study whether competition is in the best interests of electricity consumers and the state. The final report is to be released no later than Nov. 1, 1999.

CONNECTICUT

On Jan. 1, 2000, 35% of customers in 25 "distressed municipalities" will get a choice of providers under a law passed earlier this

year. In 1999, but only in three of them, programs statewide is limited.

ILLINOIS

Illinois enacted a deregulation plan in December 1997 that mandated rate cuts of 5% to 20% across the state, starting last month. Large industrial and commercial customers will begin choosing suppliers on Oct. 1, 1999; smaller ones, no later than December 2000; and residential customers, on May 1,

no later than December 2000. The company has proposed two open-access retail pilot programs, the first such programs in Iowa. The company is awaiting regulatory approvals.

KANSAS

The Legislature considered two deregulation bills in its 1998 session, but didn't pass either. Any movement in that direction is likely to be slow.

During 1999, the Public Service Commission will require providers to "unbundle" bills, itemizing the cost of generation and transmission, with competition starting in March 2000.

MARYLAND

Under a Public Service Commission order, competition would be phased in starting July 1, 2000. Lawmakers in the 1998 session failed to pass a bill based on the com-

mission's recommendation. No regulatory action is expected this year.

MONTANA

Montana's large electricity customers gained the right to choose their power providers on July 1, starting a transition period scheduled to end July 1, 2002, when retail customers statewide will be able to choose electricity suppliers. The state's Public Service Commission will oversee re-

structuring. The task force will issue a final report in January 1999.

NORTH DAKOTA

The North Dakota Public Service Commission has begun a general study of restructuring. No action is expected soon.

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THE FEDERAL SOLUTION

Congress hopes to avoid a patchwork quilt of state regulations by coming up with more-uniform rules. It won't be easy.

By BRYAN LEE

THE PROSPECT of restructuring the nation's \$200 billion electricity sector—and ending the last of the legally sanctioned monopoly industries in the U.S.—has generated a high-voltage debate in Congress.

At least 20 electricity restructuring legislative proposals are under consideration by the House and Senate, ranging from narrowly focused bills to comprehensive measures that would require retail power competition to be in place nationwide by a certain date.

The congressional interest is being sparked by state efforts to restructure electricity markets. In high-cost states such as California, Massachusetts, Pennsylvania and Rhode Island, regulators and legislators have mandated retail electric competition, with the expectation that replacing monopoly service territories with competition will lower costs to customers.

Many of the congressional proposals look to enact a similar electric industry restructuring nationally, while "grandfathering" existing state competition programs. Federal policy makers argue that a national law is necessary to avoid a "patchwork quilt" of differently structured state power markets.

The proposed bills differ on many points, but in the main they address the same handful of troublesome issues: from environmental concerns to "stranded" costs to how much federally marketed power should cost. Here's a breakdown of the big questions that lawmakers are tussling with.

LIFETIME LIMITS

One of the thorniest issues facing lawmakers is the 1935 Public Utility Holding Company Act, known by its acronym Puhca. (The pronunciation, either

"pooka" or "pyooka," often depends on what side of the debate you're on.)

Puhca restricts the operations of multistate utility holding companies. The law says such companies can't diversify much beyond their core utility and natural-gas holdings, providing a barrier not only to utility-company diversification but also to the entry of nonutility companies into the electricity business. Utilities can't have holdings that aren't geographically integrated (for instance, a California utility couldn't own a utility in New York, and vice versa), and their moves—such as mergers and acquisitions—are subject to the approval of the federal government.

Multistate utilities have argued that this structure gives single-state operators a tremendous advantage as the industry becomes competitive. Single-state companies aren't hung up by federal red tape, and in some cases they also have accumulated diverse assets, such as MidAmerican Energy Co., an Iowa utility that recently acquired a regional real-estate company.

But industrial energy customers, power marketers and consumer groups have lobbied fiercely against repeal of Puhca—unless utilities are forced to open their territories to retail competition. A simple repeal of Puhca, these critics argue, would only open the door for the same abuses—such as concentration of market power and risky, speculative investments at customers' expense—that caused Congress to enact the law in the first place.

One of the biggest proponents of eliminating Puhca has been the enforcer of the law: the Securities and Exchange Commission. Puhca, the SEC maintains, has been superseded by other securities law and is redundant.

The argument came to a head in this Congress

when Republican Sen. Frank Murkowski of Alaska, the chairman of the Senate Energy Committee, supported a bill reported out of the Senate Banking Committee to do away with the decades-old law.

And Senate Majority Leader Trent Lott, a Mississippi Republican who has two utility holding companies in his state, tried to bring the Puhca bill to the Senate floor for a vote earlier this year.

Spearheading the opposition was Democrat Dale Bumpers of Arkansas, who had introduced the first comprehensive electricity-restructuring bill of the current Congress. The senator threatened a filibuster to block the bill; after it became clear Sen. Lott didn't have enough votes to override Sen. Bumpers' opposition, Sen. Lott abandoned his efforts.

RECOVERING STRANDED COSTS

One of the biggest arguments in the debate is over stranded costs—investments that utilities made as monopolies that can't be recovered in a competitive environment. Utilities insist they be guaranteed recovery of investments incurred under the regulated regime that may become stranded in the move to competition.

Most of the states that so far have moved to enact retail electricity competition have provided utilities the right to recover their investment, typically through a state-supported bond issue funded through a surcharge attached to electricity sales.

Utilities want stranded-cost recovery enshrined in federal legislation, and Sen. Bumpers obliged them in his bill with strong language guaranteeing cost recovery.

But a different bill, backed by Republican Rep. Dan Schaefer of Colorado, chairman of the House Energy and Power Subcommittee, and Rep. Thomas Bliley, the Virginia Republican who heads the Commerce Committee,

would leave most decisions about stranded-cost recovery to the states. This causes heartburn for utilities, since at least one state—New Hampshire—has moved to limit utilities to recovery of only 50% of their stranded investment. Litigation over that provision has stalled the state's retail-restructuring initiative.

KEEPING CLEAN

In Washington, the fight over stranded costs is nearly overshadowed by a looming battle over environmental issues, thanks to the 1990 Clean Air Act amendments and the 1978 Public Utility Regulatory Policies Act. Puhca, as the law is called, is a vestige of a spate of laws Congress passed in the wake of the energy crisis of the 1970s.

Anticipating that the crisis would turn chronic, the law requires utilities to buy power from generating facilities that use so-called renewable energy sources to generate electricity, or that meet certain efficiency standards through cogeneration—the simultaneous generation of both electricity and steam energy to drive industrial processes. (Puhca also inadvertently represented the first breach in the utility industry's protected monopoly status by creating a foothold for a competitive generation industry.)

The problem: Utilities have to buy that power at "avoided cost" rates—the amount that the utilities would have had to pay to generate that power themselves. But the rates were figured in the early 1980s, when energy prices were skyrocketing. Since then, of course, prices have plunged. So the utilities are now paying far above

their current avoided-cost rates for power.

Therefore, the utilities argue, if their territories are opened up to competition, they'll have to spread those costs among a shrinking customer base.

Utilities want Puhca to go away before competition arrives. But environmentalists have put up a tremendous fight, because the law promotes nonpolluting "renewable" energy sources, such as wind and solar power. Without Puhca, they argue, the electric industry—already the nation's leading source of air pollution—would be much dirtier.

The leading House compromise restructuring bill and the White House's proposal both would replace Puhca with a "renewable portfolio standard" designed to establish a market-based incentive for non-fossil-fuel generation. The proposals would establish a set percentage of a power companies' generation portfolio that must be derived from renewable sources. If a generator doesn't have enough renewables in its portfolio, it would be free to buy "credits" from a generator that exceeds the portfolio standard. (A similar market-based approach to curbing utilities' acid-rain emissions is part of the 1990 Clean Air Act amendments.)

But the environmental lobby wants more—and that's proving a major stumbling block to legislation. In addition to a mandate for wind and solar technologies, environmentalists are lobbying fiercely to make air pollution a central part of the restructuring debate. At the core of the fight is a provision in the Clean Air Act that exempted certain older, coal-fired power plants from meeting the emissions standards required of newer generating facilities. This, the environmentalists argue, gives "dirty" power plants a competitive advantage over clean generation facilities. In a cutthroat, deregulated industry, utilities would have an economic incentive to in-

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STATES

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OHIO

Companion deregulation bills that have been called the most pro-consumer in the U.S. were introduced in both houses of the Legislature in March. Under the plan they outline, opposed by utilities, full retail competition would begin Jan. 1, 2000. Lawmakers have held informal talks on the bills through their summer recess; the Legislature will reconvene later this month. In addition, utilities in August outlined their own plan calling for choice by 2001.

OKLAHOMA

Under terms of a 1997 law, competition is to start by July 1, 2002. The Oklahoma Corporation Commission is still working on three of four deregulation studies that the law requires to be completed by Oct. 1, 1999.

OREGON

Oregon's Public Utility Commission is conducting two pilot programs. But political momentum toward deregulation is slow in the state, which enjoys low power rates due in part to the presence of the Bonneville Power Administration's federally owned hydroelectric system.

PENNSYLVANIA

Under a 1996 law, the deregulation started July 1, 1998, with customers beginning to be in the first wave able to choose suppliers. Actual retail competition for customers will begin Jan. 1, 1999. By 2000, all customers will be able to choose.

RHODE ISLAND

Full competition started Jan. 1, 1998, months ahead of the schedule established by the state's 1996 Utility Restructuring Act.

SOUTH CAROLINA

Deregulation legislation is expected to be introduced next year, as it was in 1997. The outlook remains uncertain. In February, the Public Service Commission outlined a plan to implement restructuring if legislation is adopted, but the commission didn't start competition.

SOUTH DAKOTA

South Dakota's Public Utility Commission is studying progress on retail competition compared to other states.

TENNESSEE

Legislation creating a committee to study deregulation passed last year, but there is scant impetus for the state to move forward because the vast majority of its electricity comes from the federal Tennessee Valley Authority.

thority. The fate of the TVA will be determined by federal deregulation legislation.

TEXAS

The Legislature, which didn't tackle deregulation until late in its 1997 session, is expected to take another look when it next meets, in 1999. In the meantime, the Public Utility Commission has negotiated lower rates with major utilities to prepare them for competition.

UTAH

The Legislature hoped to pass a deregulation measure last year, but a task force concluded more time was required. Meanwhile, the Public Service Commission has been issuing reports this year on a variety of issues raised by deregulation. The Legislature will use the reports to weigh whether it moves forward with deregulation.

VERMONT

The state Senate last year adopted much of a plan proposed by the Department of Public Service, but the House declined to vote on it. The governor in July appointed a five-member panel to study the issue and make recommendations by December, before the Legislature meets again in January.

VIRGINIA

The governor in April signed a bill establishing a time frame for deregulation. The plan

calls for deregulation to begin Jan. 1, 2002, and for retail competition to begin Jan. 1, 2004. A Legislative committee is studying several issues related to deregulation, including stranded costs.

WASHINGTON

Washington's Legislature passed two laws on power restructuring in its 1998 session. One gives consumers access to information on the financial position of utilities and details of their customer-service agreements. The other calls for a study of current electric rates. Neither measure provides for retail competition.

WEST VIRGINIA

The Legislature earlier this year authorized the Public Service Commission to devise a restructuring plan. The plan will require approval by the Legislature, though the commission will be able to modify or rescind it.

WISCONSIN

The Public Service Commission has placed deregulation on hold until it resolves the issue of service reliability under competition.

WYOMING

The Public Service Commission is studying how consumers can be protected and reliability preserved under competition, and how utilities should be compensated for stranded costs.

**ATTITUDES TOWARDS COMPETITION IN
THE ELECTRIC INDUSTRY**

February 1998

Chugach Electric

Attachment A

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**INTRODUCTION AND
METHODOLOGY**

INTRODUCTION AND METHODOLOGY

This project was conducted between February 9th and 15th, 1998. One thousand four hundred registered voters in the Municipality of Anchorage participated in the study. A sample size of 1,400 yields a maximum margin of error of $\pm 2.62\%$ at 95% confidence. In other words, we can be 95% sure that our results differ from their true population proportions by no more than 2.62% on either side.

Respondents were drawn randomly from registered voters lists generated to produce voter households that had voted in the General Election in 1996. The respondents were screened to ensure their status as utility decisionmaker in the household, and the ensure the household paid their own electric bills.

Fielding was conducted by telephone from our centralized facility in Anchorage. Collected data has been data entered, verified, checked for accuracy and coded, and processed using SPSS, a standard statistical package for survey research. The elements of this report include the questionnaire in its final form, collated with the frequency results for each question, and a crosstabulation section that breaks the sample down into core groups.

One hundred respondents were surveyed from each of the 14 Legislative House Districts in Anchorage, numbered 10 to 23. These House Districts paired into 8 Senate Districts, lettered E to L, with District 10 and District 23 not paired with other Anchorage districts.

Quality control measures were taken to ensure as high a response rate as possible for this study. These included supervision of interviewers, repeated callbacks, calling at various times of day and evening, over the course of the fielding period. As a result, we can be very confident of the accuracy of results within the statistical margin of error.

**QUESTIONNAIRE AND
FREQUENCIES**

ATTITUDES TOWARDS COMPETITION IN THE ELECTRIC INDUSTRY

IVAN MOORE RESEARCH

TEL: 278-4600

Hello, my name is _____ and I'm calling for Ivan Moore Research, an Anchorage marketing research firm. We are conducting an Anchorage area public opinion survey concerning your household's utility services that should take no more than a few minutes. Your opinions are important to us, and we'd really appreciate your participation. (PAUSE)

S1. Is this a residential telephone?

IF "YES", CONTINUE...

IF "NO", TERMINATE...

S2. I need to speak with the person in your household who pays your utility bills, or who makes decisions about utility services. Would that be you?

IF "YES", CONTINUE...

IF "NO", ASK FOR PERSON...

S3. Do you pay your own electric bill or do you have a landlord that pays it for you?

IF "YES", THEN PROCEED...

IF "DON'T PAY ELECTRIC BILL/LANDLORD PAYS", THEN TERMINATE...

1. Which company provides your household with its electric service, Chugach Electric or ML+P?

	FREQUENCY	PERCENT
CHUGACH.....	1016.....	72.6%
ML+P.....	384.....	27.4%

OK, across the country, efforts are underway to allow individual customers to choose their electric provider. In Alaska, both the Legislature and Public Utilities Commission are now reviewing this issue. I'd like to ask you a few questions to see how you feel about this topic.

2. First, do you think that customers should have the right to choose which company they buy their electric power from?

	FREQUENCY	PERCENT
YES.....	1272.....	90.9%
NO.....	76.....	5.4%
DON'T KNOW.....	52.....	3.7%

3. Do you think competition in the electric industry would result in lower electric prices?

	FREQUENCY	PERCENT
YES.....	1032.....	73.7%
NO.....	233.....	16.7%
DON'T KNOW.....	135.....	9.6%

4. Do you think competition in the electric industry would result in better services?

	FREQUENCY	PERCENT
YES.....	1017.....	72.7%
NO.....	247.....	17.7%
DON'T KNOW.....	135.....	9.7%

5. If you could get better services or lower prices from a different power provider, would you want to be able to switch?

	FREQUENCY	PERCENT
YES.....	1276.....	91.1%
NO.....	80.....	5.7%
DON'T KNOW.....	44.....	3.2%

6. If a legislator were to vote in favor of allowing customers to choose their power supplier, would that make you feel more positive or more negative toward that legislator?

	FREQUENCY	PERCENT
MORE POSITIVE.....	904.....	64.6%
MORE NEGATIVE.....	71.....	5.1%
NO DIFFERENCE.....	425.....	30.3%

The following questions are for statistical purposes only.

7. In what year were you born?

	FREQUENCY	PERCENT
18-39.....	445.....	31.8%
40-47.....	332.....	23.7%
48-57.....	327.....	23.4%
58+.....	296.....	21.2%

(Mean = 47.7 years)
(Median = 45.8 years)

8. Of the people currently living in your household, how many are children or adolescents aged 18 or under?

	FREQUENCY	PERCENT
None.....	766.....	54.7%
One.....	222.....	15.9%
Two.....	273.....	19.5%
Three or more.....	139.....	9.9%
(Mean = 0.89 children)		

9. Are you married or single?

	FREQUENCY	PERCENT
MARRIED.....	1079.....	77.1%
SINGLE.....	321.....	22.9%

10. GENDER...

	FREQUENCY	PERCENT
MALE.....	700.....	50.0%
FEMALE.....	700.....	50.0%

Thankyou very much for your help. Goodbye.

THE FOLLOWING VARIABLE WAS RECORDED FROM THE VOTER LIST:

	FREQUENCY	PERCENT
House District 10.....	100.....	7.1%
House District 11.....	100.....	7.1%
House District 12.....	100.....	7.1%
House District 13.....	100.....	7.1%
House District 14.....	100.....	7.1%
House District 15.....	100.....	7.1%
House District 16.....	100.....	7.1%
House District 17.....	100.....	7.1%
House District 18.....	100.....	7.1%
House District 19.....	100.....	7.1%
House District 20.....	100.....	7.1%
House District 21.....	100.....	7.1%
House District 22.....	100.....	7.1%
House District 23.....	100.....	7.1%

THE FOLLOWING VARIABLE WAS COMPUTED FROM THE PREVIOUS VARIABLE:

	FREQUENCY	PERCENT
Senate District E.....	100.....	7.1%
Senate District F.....	200.....	14.3%
Senate District G.....	200.....	14.3%
Senate District H.....	200.....	14.3%
Senate District I.....	200.....	14.3%
Senate District J.....	200.....	14.3%
Senate District K.....	200.....	14.3%
Senate District L.....	100.....	7.1%

THE FOLLOWING VARIABLE WAS CALCULATED FROM THE GENDER AND MARITAL STATUS VARIABLES:

	FREQUENCY	PERCENT
Married Males.....	552.....	39.4%
Married Females.....	528.....	37.7%
Single Males.....	148.....	10.6%
Single Females.....	172.....	12.3%

THE FOLLOWING VARIABLE WAS CALCULATED FROM THE AGE, MARITAL STATUS AND CHILDREN VARIABLES:

	FREQUENCY	PERCENT
Young Singles.....	73.....	5.2%
Adult Singles.....	167.....	11.9%
Single Parent.....	80.....	5.7%
Young Couple.....	71.....	5.1%
Mature Couples.....	454.....	32.4%
Young Family.....	261.....	18.7%
Mature Family.....	292.....	20.9%

CROSSTABULATION TABLES

RIGHT TO CHOOSE?

Row Percents

	RIGHT TO CHOOSE?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
ELECTRIC PROVIDER:				
Chugach	91.3%	5.2%	3.5%	72.6%
ML+P	89.8%	6.1%	4.1%	27.4%
LOWER PRICES?				
Yes	96.3%	1.6%	2.1%	73.7%
No	68.7%	24.4%	6.9%	16.7%
Not sure	87.5%	2.2%	10.3%	9.6%
BETTER SERVICES?				
Yes	97.7%	1.2%	1.1%	72.7%
No	69.1%	22.8%	8.0%	17.7%
Not sure	79.2%	5.2%	15.5%	9.7%
WANT TO BE ABLE TO SWITCH?				
Yes	94.3%	3.3%	2.4%	91.1%
No	47.6%	36.5%	15.9%	5.7%
Not sure	70.0%	10.8%	19.2%	3.2%
EFFECT ON LEGISLATOR:				
More positive	98.9%	1.1%		64.6%
More negative	35.4%	52.7%	11.9%	5.1%
No difference	83.2%	6.7%	10.2%	30.3%
AGE OF RESPONDENT:				
18-39	96.9%	1.7%	1.4%	31.8%
40-47	91.4%	4.3%	4.4%	23.7%
48-57	87.5%	7.8%	4.7%	23.4%
58+	85.0%	9.7%	5.3%	21.2%
NUMBER OF CHILDREN:				
None	88.3%	6.6%	5.1%	54.7%
One	93.4%	3.8%	2.7%	15.9%
Two	92.2%	5.7%	2.1%	19.5%
Three or more	98.4%	.8%	.8%	9.9%
MARITAL STATUS:				
Married	90.6%	5.9%	3.5%	77.1%
Single	91.7%	4.0%	4.3%	22.9%
GENDER OF RESPONDENT:				
Male	91.2%	6.5%	2.3%	50.0%
Female	90.6%	4.3%	5.1%	50.0%
Total	90.9%	5.4%	3.7%	100.0%

	RIGHT TO CHOOSE?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
MARITAL STATUS BY GENDER:				
Married Males	91.0%	7.1%	1.9%	39.4%
Married Females	90.2%	4.6%	5.2%	37.7%
Single Males	91.8%	4.5%	3.8%	10.6%
Single Females	91.6%	3.6%	4.8%	12.3%
FAMILY STATUS:				
Young Single	95.8%	1.5%	2.8%	5.2%
Adult Single	88.5%	4.5%	7.0%	11.9%
Single Parent	94.7%	5.3%		5.7%
Young Couple	100.0%			5.1%
Mature Couple	85.2%	9.3%	5.5%	32.4%
Young Family	96.0%	2.5%	1.6%	18.7%
Mature Family	92.1%	4.9%	3.0%	20.9%
LEGISLATIVE HOUSE DISTRICT:				
House District 10	84.1%	8.9%	7.0%	7.1%
House District 11	96.3%	3.7%		7.1%
House District 12	93.9%	2.3%	3.8%	7.1%
House District 13	85.3%	9.7%	5.0%	7.1%
House District 14	95.7%	2.1%	2.1%	7.1%
House District 15	92.8%	3.0%	4.2%	7.1%
House District 16	92.2%	5.9%	1.9%	7.1%
House District 17	92.9%	4.4%	2.7%	7.1%
House District 18	88.0%	7.5%	4.5%	7.1%
House District 19	90.7%	2.9%	6.4%	7.1%
House District 20	86.5%	7.2%	6.4%	7.1%
House District 21	91.0%	5.2%	3.8%	7.1%
House District 22	91.2%	4.9%	3.8%	7.1%
House District 23	91.7%	8.3%		7.1%
LEGISLATIVE SENATE DISTRICT:				
Senate District E	84.1%	8.9%	7.0%	7.1%
Senate District F	95.1%	3.0%	1.9%	14.3%
Senate District G	90.5%	5.9%	3.6%	14.3%
Senate District H	92.5%	4.4%	3.1%	14.3%
Senate District I	90.5%	6.0%	3.6%	14.3%
Senate District J	88.6%	5.0%	6.4%	14.3%
Senate District K	91.1%	5.1%	3.8%	14.3%
Senate District L	91.7%	8.3%		7.1%
Total	90.9%	5.4%	3.7%	100.0%

LOWER PRICES?

Row Percents

	LOWER PRICES?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
ELECTRIC PROVIDER:				
Chugach	74.7%	16.2%	9.1%	72.6%
ML+P	71.1%	17.9%	11.0%	27.4%
RIGHT TO CHOOSE?				
Yes	78.1%	12.6%	9.3%	90.9%
No	21.1%	74.9%	3.9%	5.4%
Not sure	42.1%	31.0%	27.0%	3.7%
BETTER SERVICES?				
Yes	84.9%	7.4%	7.8%	72.7%
No	35.7%	59.8%	1.5%	17.7%
Not sure	59.2%	7.8%	33.0%	9.7%
WANT TO BE ABLE TO SWITCH?				
Yes	76.9%	13.8%	9.3%	91.1%
No	33.3%	55.0%	11.7%	5.7%
Not sure	53.5%	31.0%	15.5%	3.2%
EFFECT ON LEGISLATOR:				
More positive	86.0%	7.2%	6.8%	64.6%
More negative	23.6%	70.2%	6.2%	5.1%
No difference	56.0%	27.8%	16.1%	30.3%
AGE OF RESPONDENT:				
18-39	83.4%	10.9%	5.7%	31.8%
40-47	73.7%	13.3%	13.0%	23.7%
48-57	67.0%	20.7%	12.3%	23.4%
58+	66.5%	24.7%	8.7%	21.2%
NUMBER OF CHILDREN:				
None	69.4%	20.0%	10.6%	54.7%
One	76.5%	14.1%	9.4%	15.9%
Two	80.9%	10.6%	8.5%	19.5%
Three or more	78.8%	14.1%	7.0%	9.9%
MARITAL STATUS:				
Married	73.7%	16.9%	9.4%	77.1%
Single	73.7%	15.9%	10.4%	22.9%
GENDER OF RESPONDENT:				
Male	73.1%	17.8%	9.1%	50.0%
Female	74.3%	15.5%	10.2%	50.0%
Total	73.7%	16.7%	9.6%	100.0%

	LOWER PRICES?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
MARITAL STATUS BY GENDER:				
Married Males	73.2%	18.3%	8.5%	39.4%
Married Females	74.2%	15.4%	10.4%	37.7%
Single Males	72.6%	16.0%	11.3%	10.6%
Single Females	74.5%	15.9%	9.6%	12.3%
FAMILY STATUS:				
Young Single	83.6%	12.4%	4.0%	5.2%
Adult Single	68.6%	19.0%	12.4%	11.9%
Single Parent	75.1%	12.7%	12.1%	5.7%
Young Couple	79.0%	12.6%	8.3%	5.1%
Mature Couple	65.9%	22.8%	11.3%	32.4%
Young Family	84.3%	10.2%	5.5%	18.7%
Mature Family	75.1%	14.7%	10.2%	20.9%
LEGISLATIVE HOUSE DISTRICT:				
House District 10	63.5%	23.2%	13.3%	7.1%
House District 11	75.3%	18.4%	6.4%	7.1%
House District 12	80.7%	10.3%	9.0%	7.1%
House District 13	67.0%	20.8%	12.2%	7.1%
House District 14	76.1%	13.7%	10.2%	7.1%
House District 15	72.5%	22.8%	4.6%	7.1%
House District 16	80.4%	14.5%	5.1%	7.1%
House District 17	77.3%	14.2%	8.5%	7.1%
House District 18	67.1%	25.9%	7.0%	7.1%
House District 19	76.9%	6.6%	16.5%	7.1%
House District 20	68.4%	16.8%	14.8%	7.1%
House District 21	70.3%	15.7%	14.0%	7.1%
House District 22	85.0%	8.9%	6.0%	7.1%
House District 23	71.6%	21.2%	7.2%	7.1%
LEGISLATIVE SENATE DISTRICT:				
Senate District E	63.5%	23.2%	13.3%	7.1%
Senate District F	78.0%	14.3%	7.7%	14.3%
Senate District G	71.5%	17.3%	11.2%	14.3%
Senate District H	76.5%	18.7%	4.8%	14.3%
Senate District I	72.2%	20.1%	7.7%	14.3%
Senate District J	72.6%	11.7%	15.7%	14.3%
Senate District K	77.7%	12.3%	10.0%	14.3%
Senate District L	71.6%	21.2%	7.2%	7.1%
Total	73.7%	16.7%	9.6%	100.0%

BETTER SERVICES?

Row Percents

	BETTER SERVICES?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
ELECTRIC PROVIDER:				
Chugach	73.5%	17.5%	9.0%	72.6%
ML+P	70.4%	18.2%	11.4%	27.4%
RIGHT TO CHOOSE?				
Yes	78.1%	13.4%	8.4%	90.9%
No	16.4%	74.3%	9.3%	5.4%
Not sure	20.8%	38.4%	40.8%	3.7%
LOWER PRICES?				
Yes	83.7%	8.5%	7.8%	73.7%
No	32.1%	63.4%	4.5%	16.7%
Not sure	58.6%	8.3%	33.1%	9.6%
WANT TO BE ABLE TO SWITCH?				
Yes	76.7%	14.3%	9.0%	91.1%
No	22.3%	63.4%	14.3%	5.7%
Not sure	48.4%	30.8%	20.8%	3.2%
EFFECT ON LEGISLATOR:				
More positive	84.6%	8.4%	6.9%	64.6%
More negative	19.4%	75.1%	5.5%	5.1%
No difference	56.3%	27.6%	16.2%	30.3%
AGE OF RESPONDENT:				
18-39	81.4%	11.1%	7.4%	31.8%
40-47	74.4%	14.7%	10.9%	23.7%
48-57	69.3%	21.1%	9.6%	23.4%
58+	61.3%	26.9%	11.8%	21.2%
NUMBER OF CHILDREN:				
None	67.8%	21.7%	10.5%	54.7%
One	75.9%	13.2%	10.9%	15.9%
Two	78.6%	14.2%	7.2%	19.5%
Three or more	82.9%	9.3%	7.8%	9.9%
MARITAL STATUS:				
Married	73.7%	17.5%	8.8%	77.1%
Single	69.3%	18.1%	12.6%	22.9%
GENDER OF RESPONDENT:				
Male	72.2%	19.2%	8.6%	50.0%
Female	73.1%	16.2%	10.7%	50.0%
Total	72.7%	17.7%	9.7%	100.0%

	BETTER SERVICES?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
MARITAL STATUS BY GENDER:				
Married Males	72.2%	19.5%	8.3%	39.4%
Married Females	75.3%	15.5%	9.3%	37.7%
Single Males	72.4%	17.9%	9.7%	10.6%
Single Females	66.6%	18.3%	15.2%	12.3%
FAMILY STATUS:				
Young Single	79.8%	12.5%	7.7%	5.2%
Adult Single	63.1%	21.9%	15.0%	11.9%
Single Parent	72.5%	15.2%	12.3%	5.7%
Young Couple	81.2%	13.0%	5.8%	5.1%
Mature Couple	65.5%	24.5%	10.1%	32.4%
Young Family	81.1%	11.2%	7.7%	18.7%
Mature Family	78.0%	13.5%	8.5%	20.9%
LEGISLATIVE HOUSE DISTRICT:				
House District 10	58.9%	25.7%	15.4%	7.1%
House District 11	78.4%	18.4%	3.2%	7.1%
House District 12	73.7%	16.6%	9.7%	7.1%
House District 13	62.5%	24.7%	12.9%	7.1%
House District 14	72.5%	18.3%	9.2%	7.1%
House District 15	71.3%	19.0%	9.7%	7.1%
House District 16	80.2%	15.8%	4.0%	7.1%
House District 17	75.5%	13.8%	10.7%	7.1%
House District 18	73.3%	19.4%	7.3%	7.1%
House District 19	78.6%	10.4%	11.0%	7.1%
House District 20	63.3%	18.3%	18.3%	7.1%
House District 21	70.3%	18.6%	11.1%	7.1%
House District 22	84.2%	9.0%	6.8%	7.1%
House District 23	74.8%	19.2%	5.9%	7.1%
LEGISLATIVE SENATE DISTRICT:				
Senate District E	58.9%	25.7%	15.4%	7.1%
Senate District F	76.0%	17.5%	6.4%	14.3%
Senate District G	67.5%	21.5%	11.0%	14.3%
Senate District H	75.7%	17.4%	6.9%	14.3%
Senate District I	74.4%	16.6%	9.0%	14.3%
Senate District J	70.9%	14.4%	14.7%	14.3%
Senate District K	77.2%	13.8%	8.9%	14.3%
Senate District L	74.8%	19.2%	5.9%	7.1%
Total	72.7%	17.7%	9.7%	100.0%

WANT TO BE ABLE TO SWITCH?

Row Percents

	WANT TO BE ABLE TO SWITCH?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
ELECTRIC PROVIDER:				
Chugach	92.0%	5.2%	2.8%	72.6%
ML+P	88.9%	7.0%	4.1%	27.4%
RIGHT TO CHOOSE?				
Yes	94.6%	3.0%	2.4%	90.9%
No	55.5%	38.2%	6.3%	5.4%
Not sure	58.9%	24.5%	16.5%	3.7%
LOWER PRICES?				
Yes	95.1%	2.6%	2.3%	73.7%
No	75.3%	18.8%	5.9%	16.7%
Not sure	88.0%	6.9%	5.1%	9.6%
BETTER SERVICES?				
Yes	96.1%	1.7%	2.1%	72.7%
No	74.0%	20.4%	5.5%	17.7%
Not sure	84.8%	8.4%	6.8%	9.7%
EFFECT ON LEGISLATOR:				
More positive	97.4%	.7%	1.8%	64.6%
More negative	45.5%	43.8%	10.7%	5.1%
No difference	85.4%	9.8%	4.8%	30.3%
AGE OF RESPONDENT:				
18-39	95.8%	1.9%	2.3%	31.8%
40-47	91.5%	5.1%	3.4%	23.7%
48-57	92.5%	4.9%	2.6%	23.4%
58+	82.3%	12.9%	4.9%	21.2%
NUMBER OF CHILDREN:				
None	88.8%	7.5%	3.7%	54.7%
One	90.8%	5.4%	3.8%	15.9%
Two	95.7%	2.6%	1.7%	19.5%
Three or more	95.7%	2.1%	2.2%	9.9%
MARITAL STATUS:				
Married	92.1%	5.3%	2.6%	77.1%
Single	87.8%	6.9%	5.3%	22.9%
GENDER OF RESPONDENT:				
Male	91.0%	5.9%	3.1%	50.0%
Female	91.2%	5.5%	3.3%	50.0%
Total	91.1%	5.7%	3.2%	100.0%

	WANT TO BE ABLE TO SWITCH?			Total
	Yes	No	Not sure	Col %
	Row %	Row %	Row %	
MARITAL STATUS BY GENDER:				
Married Males	91.8%	5.8%	2.4%	39.4%
Married Females	92.5%	4.8%	2.7%	37.7%
Single Males	88.3%	6.0%	5.7%	10.6%
Single Females	87.4%	7.7%	4.9%	12.3%
FAMILY STATUS:				
Young Single	95.3%	3.1%	1.6%	5.2%
Adult Single	82.3%	10.4%	7.3%	11.9%
Single Parent	92.3%	3.2%	4.5%	5.7%
Young Couple	96.3%	3.7%		5.1%
Mature Couple	89.0%	7.8%	3.3%	32.4%
Young Family	95.9%	1.1%	3.0%	18.7%
Mature Family	92.7%	5.7%	1.7%	20.9%
LEGISLATIVE HOUSE DISTRICT:				
House District 10	95.0%	2.9%	2.1%	7.1%
House District 11	96.8%	2.4%	.8%	7.1%
House District 12	87.2%	10.8%	2.0%	7.1%
House District 13	88.3%	6.6%	5.0%	7.1%
House District 14	87.4%	4.0%	8.5%	7.1%
House District 15	87.7%	6.3%	5.9%	7.1%
House District 16	94.2%	2.8%	3.0%	7.1%
House District 17	95.1%	3.8%	1.1%	7.1%
House District 18	90.4%	8.3%	1.3%	7.1%
House District 19	90.2%	5.8%	4.0%	7.1%
House District 20	86.0%	7.4%	6.6%	7.1%
House District 21	87.8%	10.2%	2.0%	7.1%
House District 22	99.0%	1.0%		7.1%
House District 23	90.8%	7.2%	2.0%	7.1%
LEGISLATIVE SENATE DISTRICT:				
Senate District E	95.0%	2.9%	2.1%	7.1%
Senate District F	92.0%	6.6%	1.4%	14.3%
Senate District G	87.9%	5.3%	6.8%	14.3%
Senate District H	91.0%	4.6%	4.4%	14.3%
Senate District I	92.8%	6.0%	1.2%	14.3%
Senate District J	88.1%	6.6%	5.3%	14.3%
Senate District K	93.4%	5.6%	1.0%	14.3%
Senate District L	90.8%	7.2%	2.0%	7.1%
Total	91.1%	5.7%	3.2%	100.0%

EFFECT ON LEGISLATOR

Row Percents

	EFFECT ON LEGISLATOR:			Total
	More positive	More negative	No difference	Col %
	Row %	Row %	Row %	
ELECTRIC PROVIDER:				
Chugach	65.8%	4.8%	29.4%	72.6%
ML+P	61.3%	5.9%	32.8%	27.4%
RIGHT TO CHOOSE?				
Yes	70.2%	2.0%	27.8%	90.9%
No	13.2%	49.6%	37.2%	5.4%
Not sure		16.4%	83.6%	3.7%
LOWER PRICES?				
Yes	75.3%	1.6%	23.1%	73.7%
No	27.9%	21.5%	50.6%	16.7%
Not sure	45.8%	3.3%	50.9%	9.6%
BETTER SERVICES?				
Yes	75.2%	1.4%	23.5%	72.7%
No	30.9%	21.7%	47.4%	17.7%
Not sure	46.4%	2.9%	50.7%	9.7%
WANT TO BE ABLE TO SWITCH?				
Yes	69.0%	2.5%	28.4%	91.1%
No	8.2%	39.4%	52.5%	5.7%
Not sure	37.2%	17.2%	45.6%	3.2%
AGE OF RESPONDENT:				
18-39	75.0%	2.2%	22.8%	31.8%
40-47	62.1%	4.6%	33.3%	23.7%
48-57	62.0%	5.4%	32.6%	23.4%
58+	54.5%	9.7%	35.8%	21.2%
NUMBER OF CHILDREN:				
None	59.7%	6.1%	34.2%	54.7%
One	70.4%	4.7%	24.9%	15.9%
Two	69.7%	4.0%	26.3%	19.5%
Three or more	72.0%	2.4%	25.6%	9.9%
MARITAL STATUS:				
Married	64.3%	4.9%	30.8%	77.1%
Single	65.6%	5.7%	28.8%	22.9%
GENDER OF RESPONDENT:				
Male	64.0%	6.7%	29.3%	50.0%
Female	65.1%	3.5%	31.4%	50.0%
Total	64.6%	5.1%	30.3%	100.0%

	EFFECT ON LEGISLATOR:			Total
	More positive	More negative	No difference	Col %
	Row %	Row %	Row %	
MARITAL STATUS BY GENDER:				
Married Males	62.5%	6.4%	31.1%	39.4%
Married Females	66.1%	3.4%	30.5%	37.7%
Single Males	69.8%	7.5%	22.6%	10.6%
Single Females	61.9%	4.0%	34.1%	12.3%
FAMILY STATUS:				
Young Single	68.5%	4.3%	27.2%	5.2%
Adult Single	59.3%	6.3%	34.4%	11.9%
Single Parent	76.1%	5.5%	18.5%	5.7%
Young Couple	74.0%		26.0%	5.1%
Mature Couple	56.2%	7.3%	36.6%	32.4%
Young Family	75.5%	2.6%	22.0%	18.7%
Mature Family	64.4%	4.7%	30.9%	20.9%
LEGISLATIVE HOUSE DISTRICT:				
House District 10	54.3%	8.5%	37.2%	7.1%
House District 11	66.8%	3.7%	29.5%	7.1%
House District 12	64.7%	.9%	34.4%	7.1%
House District 13	56.4%	6.9%	36.7%	7.1%
House District 14	72.8%	4.3%	23.0%	7.1%
House District 15	57.3%	3.0%	39.7%	7.1%
House District 16	69.9%	4.1%	26.0%	7.1%
House District 17	68.2%	4.2%	27.6%	7.1%
House District 18	60.6%	8.8%	30.6%	7.1%
House District 19	71.1%	3.2%	25.7%	7.1%
House District 20	59.0%	7.9%	33.2%	7.1%
House District 21	68.5%	6.7%	24.8%	7.1%
House District 22	68.3%	3.1%	28.6%	7.1%
House District 23	66.1%	6.2%	27.6%	7.1%
LEGISLATIVE SENATE DISTRICT:				
Senate District E	54.3%	8.5%	37.2%	7.1%
Senate District F	65.7%	2.3%	32.0%	14.3%
Senate District G	64.6%	5.6%	29.9%	14.3%
Senate District H	63.6%	3.6%	32.9%	14.3%
Senate District I	64.4%	6.5%	29.1%	14.3%
Senate District J	65.0%	5.5%	29.5%	14.3%
Senate District K	68.4%	4.9%	26.7%	14.3%
Senate District L	66.1%	6.2%	27.6%	7.1%
Total	64.6%	5.1%	30.3%	100.0%

ALASKA STATE LEGISLATURE

Joint Committee on Electric Utility Restructuring

Senate Members:

Sentor Bert Sharp, Co-Chairman

Senator Loren Leman

Senator Robin Taylor

Senator Al Adams

Address: 119 N. Cushman, #201

Fairbanks, AK 99701-2879

Telephone: (907) 452-7885

FAX: (907) 456-4221



House Members:

Rep. Norman Rokeberg, Co-Chairman

Rep. Alan Austerman

Rep. Fred Dyson

Rep. John Davies

Address: 716 W. 4th Avenue, #640

Anchorage, AK 99501-2133

Telephone: (907) 269-0117

FAX: (907) 269-0119

COMMITTEE PACKET FOR NOVEMBER 18, 1998 COMMITTEE MEETING 10:00 A.M., ANCHORAGE LEGISLATIVE INFORMATION OFFICE

LETTERS/COMMENTS RECEIVED AFTER SEPTEMBER MEETING

September 2nd phone call from Richard Long, Palmer
September 16th letter from Nina Mann, Anchorage
September 17th e-mail from Stefanie Coppock, Anchorage
September 17th letter from Gary and Vera Plumb, Ketchikan
September 22nd letter from William F. Webb, Webb's Business
Consulting Services, Anchorage
September 23rd letter from Robert L. Huffman, Utilities Consulting
Services, Fairbanks
September 25th letter from Bruce Scott, Matanuska Electric
Association (w/enclosure), Palmer
October 14th letter from Bill Seitz, Big Lake
October 21st letter from Lydon C. Ibele, Anchorage
October 28th letter from Henry Lang, P.E., Lang Consulting,
Anchorage
November 5th letter from Laura Bonner, Anchorage

STATUS AND INFORMATION RE 1998 INITIATIVES AND REFERENDUMS

California – Proposition 9 information

Massachusetts – Question 4 information Note: The

Massachusetts Referendum language is 113 pages long; we have a
copy in the office if anyone is interested or see WEB site:

<http://www.state.ma.us/sec/ele/elebq98/bq98qst4full.htm>

POWER POOLING AND CENTRAL DISPATCH PLANNING STUDY

Title Page and Executive Summary Attached (full report is available
on APUC's home page)

ANCHORAGE DAILY NEWS ITEMS

- October 2, 1998, Compass, "Competition may be spark electric industry needs" by Mary Ann Pease
- October 8, 1998, "Chugach lowers rates"
- October 12, 1998, "Utility looks to gain hold on new energy source"
- October 13, 1998, "MEA makes bid for Chugach"
- October 14, 1998, "MEA: Management key to utility deal"
- October 20, 1998, "MEA bid holds payments"
- October 22, 1998, "Chugach Electric mum on MEA's buyout offer"
- October 26, 1998, "Chugach Responds to MEA proposal"
- October 31, 1998, "Chugach mulls MEA bid"
- November 1, 1998, "Our Co-op will cut a \$500 check for every member"
- November 6, 1998, "Chugach Members Why You Should Wait to Weigh the Facts"
- November 6, 1998, "Chugach Electric tries to slow MEA"
- November 8, 1998, "MEA's Offer to Chugach Members"
- November 9, 1998, "\$260,000"
- November 9, 1998, "It's Too Soon"

MISCELLANEOUS ARTICLES

- October 20, 1997, Business Week article, "The businesses, economics and politics of electricity deregulation"
- Fall 1998, "NCSL Energy Newsletter"
- September 1998, MEA's Powerlines, "MEA lowers rates again"
- September 24, 1998 e-mail from Annette Kreitzer with article
- October 15, 1998, Alaska Star, "MEA offers to buy out Chugach"
- October 26, 1998, New Jersey Online: "As they know in Monroe, deregulation is not easy"

PHONE MESSAGE		DATE 9/2	TIME 1:55 A.M. P.M.
FOR	<i>HNK</i>		
M	<i>Richard Long</i>		
OF	<i>Palma</i>		
PHONE ()	<i>745-5770 EXT.</i>		
☐ FAX	☐ MOBILE	☐ PAGER ()	
MESSAGE	<i>Re: electric deregulation. 100% against. APUC doing a good job. Leave it alone.</i>		
			SIGNATURE <i>[Signature]</i>

Nina Mann
911 Wildrose Circle
Anchorage AK 99518-2266

September 16, 1998

Representative Norman Rokeberg
Joint Committee on Electric Utility Restructuring
716 W. 4th Avenue
Anchorage AK 99501

FAX: 258-2916

Dear Representative Rokenberg:

As a concerned citizen and utility user in Anchorage, Alaska I would like to encourage you to allow competition to enter the electric utility market place. I have seen prices lower since this type of action was allowed in the telecommunications market, and as an American, free enterprise is a cherished way of life and vital for a healthy economy.

I feel Alaska will seem far less remote and hostile to outside companies looking to expand. All Alaskans will have the opportunity to benefit from competition, with an added bonus of local jobs created by new companies entering the utility market. I also feel that rural Alaska will benefit by allowing smaller communities to provide their own power through cooperatives and small power companies eager to provide service to new customers.

Please consider the matter carefully and open the electric utility to a free market place.

Respectfully,



Nina M. Mann

SEP 21 1998

Author: stefiej@alaska.net (Stefanie Coppock) at CC2MHS1
Date: 9/16/98 8:02 PM
Priority: Normal
TO: Representative Norman Rokeberg at LAA_TRANS
Subject: deregulation

Dear Representative Rokeberg:

I read your Compass article in the Daily News, September 15, and thought I would offer you some input from this residential consumer.

Here in Anchorage electrical consumers presently own both electrical utilities. Rates are presently within a few cents of each other. Reliability is very good, on both the Chugach system and Municipal Light and Power's system. Both utilities employ local people, and both return to the community, wages, and payments to the City of Anchorage. What is wrong with this??

The situation I see if Deregulation occurs is that both Utilities would be sold to a outside power company, we would lose local control, the Profit would be taken outside Alaska. Reliability could be reduced to a outside 800 number.

Deregulation in the telephone industry hasn't lowered my phone bill, and I see nothing but profit gouging if our local electrical utilities are allowed to operate under a different system. Please see that the interest of consumers in both urban and rural Alaska are put before corporate interests.

Best Regards

Stefanie Coppock
7931 Sandy Place
Anchorage Alaska 99507
stefiej@alaska.net

SEP 17 1998

GARY AND VERA PLUMB
441 Hillcrest Street
Ketchikan, AK 99901

(907) 225-6409

September 17, 1998

SEP 21 1998

Senator Bert Sharp
119 N. Cushman Street, Suite 201
Fairbanks, AK 99701-2879

Representative Norm Rokeberg
716 West 4th Avenue, Suite 640
Anchorage, AK 99501

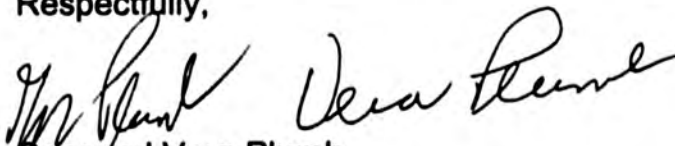
Re: Electric Deregulation

Gentlemen:

We are opposed to the concept of electrical deregulation. From what we have read, deregulation has not been an overall success or benefit in the lower forty-eight states. Deregulation has compromised reliable service and the safety of the public and utility workers. We certainly don't need to jeopardize our currently reliable electrical service nor do we need to fix something that's not broke.

It is clearly evident who will benefit from deregulation – speculators such as Mike Gravel's so-called Citizens Power and large industrial users. The residential user, like ourselves, will more than likely see higher rates as well as the potential of unreliable and unsafe electrical service. That is what has happened in the lower forty-eight. Why would Alaska be any different?

Respectfully,


Gary and Vera Plumb



September 22, 1998

SEP 24 1998

The Honorable Norman Rokeberg, Chair
Joint Committee on Electric Utility Restructuring
Alaska House of Representatives
716 West Fourth Avenue
Anchorage, Alaska 99501

Dear Representative Rokeberg:

Deregulation of Alaska's electric utilities time has come. It is now. Aurora Power and Marathon Oil's entries into direct sale of natural gas has shown that there are major savings for the consumer if government will just get out of the way and let competition rule. What is the difference between pipe and wire?

Cherry Picking and the other concerns expressed in your recent COMPASS article in the Anchorage Daily News will all be properly addressed in the APUC's review of rates and in the competitive marketplace. Competition will force utilities to match cost of service with appropriate price. What can be fairer?

Hopefully your joint committee will agree to introduce and support legislation early next session that will enable true and open competition in Alaska's electric marketplace. It will work...and work well.

Best of luck to your committee in your endeavors.

Sincerely yours,



William F. Webb

UTILITIES CONSULTING SERVICES

Robert L. Huffman

1018 Galena Street Fairbanks, Alaska 99709 (907)474-0549 • 1200 I Street #609 Anchorage, Alaska 99501 (907)276-1257

September 23, 1998

SEP 28 1998

Dear Senator Sharp and Rep. Rokeberg;

Subject: Utility Restructuring

I wish to offer the following comments and observations for your consideration regarding the subject of restructuring the electric utility industry in the state of Alaska.

First, an introduction is in order to establish reasonable credibility regarding the industry in question. I was employed by California Oregon Power Company, an investor owned utility for six years, Golden Valley Electric Association in Fairbanks for 30 years, Alaska Electric Generation & Transmission Cooperative, Inc. for six years, and as owner of Utilities Consulting Services, a private consulting firm for 15 years to present.

For starters, small, rural utilities I identify as those outside of the Railbelt and Alaska Electric Light and Power, in Juneau. The majority of those receive a subsidy in the form of PCE to the tune of \$17+ million annually. I believe that said subsidy will continue in one form or another in the foreseeable future. It is, in my opinion, inconceivable that restructuring that group of small, subsidized utilities makes any sense at all. Loss of any one major load to an outside provider could, and would, have a severe impact leading to increased rates to those left and/or increased subsidies to stay alive. However, as a practical matter, there is little incentive for an outside provider to be interested in even the largest customers served by that group of utilities. I submit that mandated restructuring (re-regulation) would be absolutely counterproductive to their combined efforts in providing essential electric service in their respective communities.

Juneau is in a unique position, being isolated from other utilities, at least others that may be even remotely interested in competing. With its large hydro based resource now better secured via State acquisition of Snettisham, it again is inconceivable that restructuring of any kind might benefit AEL&P customers. APUC is probably the customers best watchdog in that case.

Now to the Railbelt. It's a matter of record that Chugach Electric is the only one really pushing for restructuring to the point of wide open competition. Their immediate target is AML&P. I firmly believe that it boils down to a pure and simple case of slightly veiled *acquisition*. Those two utilities have been fighting one another for dominance for years. Several attempts have been made to acquire one another with zero success. Poison pill provisions inserted neatly into bond covenants have stiff armed Chugach. It appears obvious that should Chugach be able to 'cherry pick' a reasonable portion of the AML&P commercial and industrial load, a fire sale might come to pass, with bond holders approval in desperation. Is that good or bad? I say, not good under that scenario. The City of Anchorage, including the utility, via G.O. and Revenue bonds, needs to maintain a viable rating.

There are significant considerations regarding the requirements contracts between Chugach, MEA, and HEA. MEA, by contract, is required to purchase all of its energy requirements from Chugach through 2014. The only source of generation they have is a portion of the Eklutna and Bradley Lake Hydro projects which are run through the Chugach system on a net billing procedure. In other words, contractually they are defenseless under a de- reregulated scenario. An outsider could come in and pick up their best customers, leaving MEA holding the bag but still buying from Chugach. HEA is essentially in the same boat but to a slightly lesser degree. However, a loss of one or two of their industrial loads at Nikiski would be devastating. They too have few resources to fight back with. The only way to untie their hands might be to nullify their requirements contracts with Chugach, both due to expire in 2014. That would be quite a step and one that might be in the court system for a good many years. MEA may, in fact favor de-reregulation if their requirements contract were nullified or significantly altered to their satisfaction.

Golden Valley for some time straddled the fence on this issue. I now understand that they are OK with de-reregulation and have restructured by unbundling primary functions of their utility in preparation. While somewhat insulated geographically, they are an integral part of the Railbelt play. I am not privy to their strategic plan should de-reregulation come to pass, however will pass on a few thoughts in that regard. I believe GVEA would stand more to lose than to gain under wide open competition, should it occur. Initially, should Chugach and AML&P go at it tooth and nail, the lucrative economy energy transactions now enjoyed by GVEA would dry up as they used those resources to fight one another...or they might decide to go after the GVEA 30 MW mine load. It may be difficult, given a zero economy transaction, for GVEA to compete with their two coal fired units, one 50 MW yet to be proven, and 4 oil fired turbines, in a truly competitive environment. In other words, they will not have what might be considered economical energy for sale beyond their own system demands. Of course, GVEA is a proud utility and rightfully so. They will not make a statement that implies that they are afraid of competition, nor would I, given their stature in the Railbelt.

In summary, I am in hopes that your committee in its collective wisdom, does not recommend legislation that mandates de- reregulation in the State of Alaska. We are unique in many respects. Do not have the multitude of choices interconnected Lower 48 states have and are extremely lucky to have what we have. Please leave well enough alone...it ain't broke! This issue reminds me of that Cold War saying "The Russians are coming!! The Russians are coming!!" Let's not get stampeded into a situation that some feel is going to take place, with no reasonable foundation.

If your committee has questions or if I may be of assistance during your deliberations, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink that reads "Bob Huffman". The signature is fluid and cursive, with the first name "Bob" and last name "Huffman" clearly legible.

Robert Huffman



**Matanuska Electric
Association, Inc.**

OCT 01 1998

P.O. Box 2929
Palmer, Alaska 99645-2929
Telephone: (907) 745-3231
Fax: (907) 745-9328

September 25, 1998

Representative Norman Rokeberg
Alaska State Legislature
PO Box 221721
Anchorage, AK 99502-1721

Dear Representative Rokeberg:

During testimony on the subject of deregulation, Aurora distributed copies of their filing with the APUC regarding a proposed pilot project.

I thought you might be interesting in Matanuska Electric Association's response to this filing, which I have enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce D. Scott", is written over the typed name.

Bruce D. Scott, Director
Member and Public Relations

prw
enclosure

RECEIVED
APR 10

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

98-113-7 CU 4:12

Before Commissioners:

Sam Cotten, Chairman
Alyce A. Hanley
Dwight D. Ormquist
Tim Cook
James M. Posey

In the Matter of the Application of Aurora)
Power Resources, Inc. to Establish a Pilot Program)
to Allow the Limited Competitive Sale of)
Electric Power in the Chugach Electric Association,) U-98-114
Inc. and Municipal Light & Power Service Areas.)
_____)

STATEMENT OF VIEWS OF
MATANUSKA ELECTRIC ASSOCIATION, INC.

Pursuant to the Commission's July 8, 1998 Notice in this docket, Matanuska Electric Association, Inc. ("MEA") submits the following statement as to the proposed pilot program of Aurora Power Resources, Inc. ("Aurora")

Summary

Aurora's application should be denied. There is no demonstrated demand or need for the service Aurora seeks to provide. At best the pilot program will enable Aurora to realize a profit, but with no commensurate benefit to Anchorage ratepayers as a whole. The pilot program will set a poor precedent because it will foster "cherry picking" of the Railbelt Utilities' members. Utilities such as MEA, without a power source of their own, will be the biggest losers.

MEA's Primary Objection

MEA's primary objection is that the pilot program sets a dangerous precedent. Once the pilot program is implemented, it may prove difficult to undo, much like the proverbial camel with its nose under the tent. Power marketers will focus on a utility's largest customers¹, as that is where the power marketer can maximize sales with a minimal effort. However, other members of the utility will be the losers. For example, MEA's costs will not be proportionately reduced if Chugach loses its largest customers. The result would be a very substantial rate increase for Chugach's remaining members, including MEA. Of course, the impact on MEA is even more direct should a pilot program be extended to MEA's service territory.

The distribution of electricity within the utilities' service territory is essentially a zero sum game. As a general rule, costs can be reduced for a group of customers only at

¹ Aurora's Mary Ann Pease acknowledges as much in a response to a question from Commissioner Posey. She stated:

[A]s you are aware it would be very difficult to subscribe a large percentage of this pilot as residential just because of the sheer magnitude of the number of people that you would need to talk to to get subscription. And the incentive on the residential level, yes, they're interested in savings but they're interested in something that means something to them.

The reason that residential customers have not played as important of role in restructuring as otherwise would have been anticipated is that what do the savings represent? With the average residential bill at around 70 or \$75 a month, we're talking about savings of between five and \$7. I can't get many people very excited about those type of savings.

June 24, 1998 Transcript at 27-28.

the expense of a commensurate increase to the utility's remaining customers. Thus the proposed pilot program cannot result in any significant savings to the entire group of rate payers within the ML&P and Chugach service territories.

Aurora has no Expertise as a Power Marketer

A review of Aurora's application does not disclose any expertise, or even ability, on Aurora's part to provide a tangible service that would result in a significant savings to Anchorage ratepayers. That is, ML&P and Chugach have been serving Anchorage for years. It is not reasonable to believe the creation of a middleman with no employees, facilities, or underlying basis of loyalty to its customers, can introduce any significant efficiencies.

Indeed, Aurora has no demonstrated asset base, no history of successfully marketing electricity, has not worked in the electric industry in any capacity, and apparently has no significant capital basis. No such evidence is on file with the Commission. Hence there would appear to be a real risk (assuming a pilot program is implemented and Aurora is a participant) Aurora could default on its commitment to Anchorage ratepayers. While it is not clear that Aurora would be a public utility, the Commission should certainly satisfy itself that Aurora is "fit, willing and able"² to properly serve whatever customers it may ultimately obtain. The Commission may want to consider requiring a performance bond

from Aurora so as to protect its customers and any utility that may have to step in should Aurora default.

Certainly Aurora's success as a gas marketer is irrelevant. The Cook Inlet gas market is characterized by numerous producers (i.e., owners of gas) of relatively small volumes so that it is not economic for any one producer to have a marketing presence in Southcentral Alaska. Aurora, to its credit, saw an opportunity, seized it, and has now succeeded in marketing gas on behalf of the absentee owners.

There is no similar niche for Aurora to fill as to the provision of electricity. Anchorage has two producers and both have a very real presence, and fully exploit the market opportunities available to them. There is no logical reason to believe that Aurora will bring any efficiencies to the Anchorage system.

The Pilot Program will Jeopardize the Power Pooling Study.

In its Order R-96-1(1), dated September 10, 1997, the Commission opened Docket No. U-97-140 to initiate an investigation into a power pooling study for the Railbelt Utilities. Commission staff was designated as the Project Director for the \$100,000 study to be financed by MEA and Homer Electric Association, Inc. The consulting firm of Black & Veatch is conducting the study, which includes a review of the issues of power pooling, economic dispatch, and joint planning, as applied to the Railbelt. The study, which is scheduled for completion in September of this year, assumes there are no power marketers in the Railbelt as proposed by Aurora. The recommendations and conclusions of that study could be greatly jeopardized if the Commission were to now implement a pilot program,

thereby altering the composition of the Railbelt's operations. Accordingly, at a minimum, the Commission should defer ruling on Aurora's proposal until after the Black & Veatch study has been distributed and analyzed by the Commission's staff and Railbelt utilities.

Inconsistencies with Commission Order U-97-201(3)

The pilot program is also inconsistent with the Commission's Order U-97-201(3) dated May 20, 1998. In that Order, the Commission rejected Chugach's proposal that it be permitted to sell electricity to ML&P's customers. Less than three months later, that is precisely what Aurora is now proposing. Order U-97-201(3) confirmed ML&P's exclusive right to serve customers in its territory. Were the Commission at all inclined to proceed as Aurora proposes, it would be more logical for the Commission to have ruled for Chugach in Docket U-97-201 so that at least an experienced marketer, with substantial resources behind it, was involved. It makes little sense to undertake a pilot program with a neophyte as the lynch pin. If the program fails, the question will remain whether it failed on its merits or because of Aurora's lack of expertise. The Commission will have learned nothing.

Aurora does not Appear to have Proceeded Fairly.

MEA is concerned as to the manner in which Aurora has made its proposal. As noted above, as recently as May 20, 1998, the Commission confirmed the sanctity of each utility's service territory. Nonetheless, Aurora has gone about signing up customers within the Anchorage bowl, so that it now has secured at least 71% of the market it has asked the Commission to establish. Assuming the Commission is at all interested in a pilot program, MEA suggests the Commission only allow Aurora to participate on the condition it renounce

whatever purchase commitments it may have obtained to date. A 90-day "cooling off" period should then be imposed during which other marketers could familiarize themselves with the Anchorage market. Following the conclusion of that 90-day period, marketers could seek commitments from potential customers within the Anchorage bowl.

A Pilot Program will Place Additional Burdens on Commission Staff.

Another disturbing aspect of the Aurora proposal is its request that "the Commission should require CEA, ML&P, and any other power supplier which intends to participate in the Pilot Program to file a wholesale bulk power tariff under which any qualified power marketer may purchase electric power and ancillary services at wholesale bulk power rates."³

It is one thing to request a power supplier to voluntarily file a wholesale rate; it is quite another to require it. Perhaps ML&P or Chugach, or both, do not wish to do business with Aurora. Why should it be compelled to do so? The resulting filing will surely be questioned by Aurora as well as any other interested marketer. The Commission may take "judicial notice" of the numerous disputes Chugach has had with MEA and Homer Electric Association, Inc., even though the parties have voluntarily agreed to work together in a wholesale arrangement. Where the parties are only bound together pursuant to a Commission order, the potential for disagreement can be reasonably anticipated to increase exponentially. There is no incentive, aside from load growth at the expense of others, for

a supplier to file a particularly low wholesale rate. It certainly will not do so to facilitate the loss of its own customers. Thus a supplier will file a low rate only under the assumption that a power marketer will use that wholesale rate to sell to another utility's customers. The danger of that assumption is that the supplier's remaining retail customers may complain that the wholesale rate is still too low. The marketers may complain the wholesale rate is too high. Either way, the additional demand upon Commission's staff time is unwarranted.

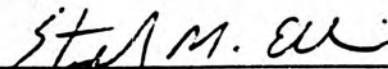
Nor is there any reason to believe Aurora can achieve the 10% savings it glibly references.⁴ As noted above, Aurora has no facilities or employees in place. It seems extremely unlikely Aurora will be able to achieve any real savings for Anchorage ratepayers when the entities with whom it proposes to compete, ML&P and Chugach, already have an established infrastructure in place. Assume, for example, that under the pilot program, Aurora enters into an arrangement with Chugach to supply one or more of ML&P's customers. There is no reason to believe that Aurora can provide that service any more efficiently than Chugach.

Conclusion

In sum, Aurora is merely seeking to insert itself into the marketplace via a series of conditions that only it can satisfy, so that it may provide an unneeded service in an inefficient manner, for its own pecuniary gain.

DATED at Anchorage, Alaska, this 7th day of August 1998.

DELANEY, WILES, HAYES,
GERETY, ELLIS & YOUNG, INC.
Attorneys for Matanuska Electric Association, Inc.


By: Stephen M. Ellis

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A.P.U.C.

98 AUG -7 PM 4:12

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:

Sam Cotten, Chairman
Alyce A. Hanley
Dwight D. Ornquist
Tim Cook
James M. Posey

In the Matter of the Application of Aurora)
Power Resources, Inc. to Establish a Pilot Program)
to Allow the Limited Competitive Sale of)
Electric Power in the Chugach Electric Association,) U-98-114
Inc. and Municipal Light & Power Service Areas.)
_____)

AFFIDAVIT OF SERVICE

STATE OF ALASKA)
) ss:
THIRD JUDICIAL DISTRICT)

Joan A. Fujimoto, upon oath, deposes and states: that she is employed in the office of DELANEY, WILES, HAYES, GERETY, ELLIS & YOUNG, INC., 1007 W. 3rd Avenue, Suite 400, Anchorage, Alaska 99501; and that on the 7th day of August, 1998, she caused to be served by U.S. mail a copy of **STATEMENT OF VIEWS OF MATANUSKA ELECTRIC ASSOCIATION, INC.** on:

Donald Edwards, Esq.
Chugach Electric Association, Inc.
5601 Minnesota Drive
P.O. Box 196300
Anchorage, AK 99519-6300

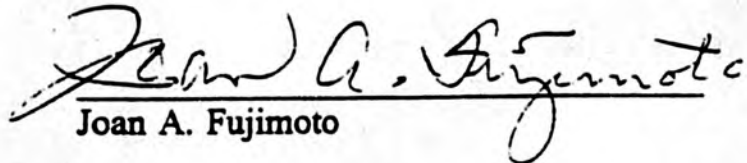
Charles (Rick) Baldwin, Esq.
Baldwin & Butler, LLC
125 N. Willow Street
Suite 100
Kenai, AK 99611

Mr. Jim Patras
AEG&T
3380 C, Suite 205
Anchorage, AK 99503

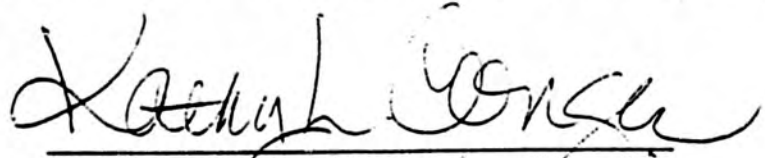
Andrew E. Hoge, Esq.
Hoge and Lekisch
441 W. 5th Avenue, Suite 500
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James L. Walker, Esq.
Municipality of Anchorage
632 W. 6th Avenue, Suite 730
Box 196650
Anchorage, AK 99519-6650

Robin Brena, Esq.
Brena, Bell & Clarkson
310 K Street, Suite 601
Anchorage, AK 99501


Joan A. Fujimoto

SUBSCRIBED AND SWORN TO before me this ____ day of August, 1998.


Notary Public for Alaska
My commission expires: 10/22/99

OCT 15 1998

Dear Rep. Rokeberg,

Oct. 14, 1998

I caught the tail end of the meeting of Aug. 18, 1998 in Anchorage. I've also read your article in The Anchorage Daily News of Sept. 15, 1998 on Pg. B-8. I weigh in on the side of caution on the issue of deregulation of the electrical utility industry in the State of Alaska. I encourage The Committee to take the route of a 3rd party study as A.A.E.C.A. proposes instead of fast track or pilot program as C.E.A. proposes. Mary Ann Pease of Aurora Gas states that there are 13 states with pilot programs. That means that 37 states are without them. I feel it should be closer to half the states with pilot programs before Alaska jumps on the bandwagon. It appears to me that C.E.A. wants to raid M.L.&P.'s customers. C.E.A. uses as part of their reasoning a survey they conducted showing 91% favoring choice of electric providers. My mother, Dorothy Seitz, was called on this survey. Basically mom told them- I thought we solved this problem a while back. She was refering to an agreement signed between C.E.A. and M.L.&P. in 1984. I understand the intent of that agreement was not to raid each other's customers anymore. I find it ironic for C.E.A. to be leading the fight for deregulation. Maybe no one remembers pre 1984 in Anchorage when C.E.A. and M.L.&P. were fighting each other for customers. Maybe that agreement from 1984 should drug out of the archives and be looked at closely to see what it's intent really was. I take umbrage with the gentleman from C.E.A. at the Sept. 18th hearing where he said maintenance will not suffer because of deregulation. One of the first things to go when someone gets in a financial pinch is maintenance. It's human nature. He also said most outages are caused by generating problems instead of problems out on the line. I guarantee you that where I live in The Mat-Su Boro that the overwhelming majority of outages are the result of mother nature (wind, snowload, trees in the line, etc.) rather than the rusult of C.E.A.'s generators going down. I wonder where this gentleman gets

his information. I believe everyone would benefit the most if Alaska waited 3 to 5 years for deregulation in order to see how well it does or doesn't work in the lower 48. So far the reviews are mixed. I am totally opposed to utilities cherry picking large customers at special rates. The individual residential home owner/renter will pay the difference. This is WRONG. If utilities can give big customers special rate deals then why not just lower everyone's rates across the board? I suspect that deregulation is being pushed by people motivated by greed and power rather than by those wishing to help their fellow mankind. Once again, I feel deregulation should be studied to see if it's the right thing for Alaska. Finally, I don't believe in deregulation just for deregulation sake.

Thanks for your time on this issue,

Bill Seitz

Bill Seitz
P.O. Box 520085
Big Lake, Alaska 99652
(907) 892-8136

October 21, 1998

Rep. Norman Rokeburg
716 W. 4th Ave., Suite 200
Anchorage, AK 99501

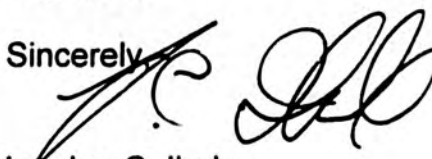
OCT 23 1998

RE: Electric Utility Deregulation

Dear Rep. Rokeburg,

I am writing as a citizen of the State of Alaska and the Municipality of Anchorage to express my opinion in support of electric utility deregulation. I beleive in free markets and customer choice. I beleive that giving consumers the option to choose their electricity provider will result in less costly power and force more efficient operation by electrical suppliers.

Sincerely,


Lyndon C. Ibele

13200 GINNET CIRCLE
ANCHORAGE, AK 99516
345-5467

LANG CONSULTING
 ~ Electric Power ~
 2117 Belair Dr
 Anchorage, Ak 99517
 Tel/fax 907-274-7448
 e-mail: lang@alaska.net

Post-It® Fax Note	7671	Date	10/28	# of pages	2
To	Norman Rockerberg	From	Henry Lang		
Co. Dept.	AR Rep - Co Chair	Co.			
Phone #	258 8191	Phone #			
Fax #	258 2916	Fax #			

To: Alaska's Joint Committee on Electric Utility Restructuring
 Attn: Norman Rockerberg & Bert Sharp, co-chairmen

OCT 28 1998

Dear Sirs,

Oct. 28, '98

I am an electric power consumer of the Municipal Light and Power (MLP) grid. Of note is that the Alaska Rural Electric Cooperative Association, Inc. (ARECA), publication of Sept. '98, has announced that your committee and the Alaska Public Utilities Commission (APUC) have endorsed their proposal to conduct a third party study on this subject. This subcommittee is to be chaired by Senator Loren Leman. I offer the following for your consideration in response to your public appeal:

The Railbelt area could benefit from re-structuring of the transmission line grid if set up as an independent transmission company (ITC). This concept is currently under study by the Federal Energy Regulatory Commission (FERC) for the Northern States Power companies. The concept of separate grid companies in Australia, New Zealand and the United Kingdom is currently under evaluation by FERC for adoption in the USA. Generation competition would be enhanced when we factor in the possibility of the Susitna Hydroelectric project wheeling power into the Railbelt grid.

The Independent System Operator (ISO) concept involves vertical control of power generation, transmission, distribution and retail. Several Utilities in the Railbelt area have this ISO structure. The duplication of independent overlapping functions might benefit from consolidation. This could involve eliminating human resource duplication and simplify dispatching of power thereby reducing overhead costs.

There is merit in combining the Mat-Su / Anchorage area Utilities into one organization. The start of the concept was recently proposed by MEA. While employed by CEA, we were presented with the economic advantages of combining CEA and ML&P. One large consumer owned utility, combined with the latest metering technology and centralized dispatching would permit the phased out replacement of outdated gas turbine power plants. Then too, the Susitna Hydro might be more receptive.

I mentioned the Susitna project in my presentation to the Electrical Engineering Society in Anchorage, Feb. 18, '98. I gave copies of "New Conversions for Hydrogen Fuel", to the key speakers at the Aug. 6, '98 Joint Committee meeting. The State of Alaska would benefit if natural gas currently used in this area could be exported and the remaining surplus electrical energy could be converted to hydrogen. The hydrogen is already being used in fuel cells to produce pollution free electricity for bus transportation in test cities.

The Kyoto conference in Japan highlighted the need for developing pollution free energy sources in the emerging 3rd world countries in the early next century.

For the remote Alaska communities, without a power grid intertie, competition is not practical other than by the use of local alternate fuel sources such as coal seam gas; hydro, wind and tidal power. (I attended the Alaska Division of Energy Conference on Rural Alaska Power Challenges and Opportunities, Oct. 12 & 13, in Anchorage and noted the rural areas power needs, especially to reduce the cost of power.)

Competition in the Anchorage area, as proposed by Aurora Power, has doubtful merit. It might only demonstrate the possible advantage of marketing power using the latest technology in metering electric energy with remote dispatch and central billing. This concept is in use in California using the Cellnet's new data system. This seems to work out well for large energy users but I question its benefits for the home user of power. Then too, you need to consider the loss of revenue to the local utilities and its impact on the factors of reliability of service and the retirement of stranded investments. Local Utilities have already implemented some form of billing to reduce meter reading labor. Further improvements are under study.

The Alaska Public Utility Commission could be strengthened to assure adoption of the latest state of the art on metering and power generation. This is already mandated by Article 2 of the APUC Act, par 42.45.190c "The Commission shall promote the conservation of resources in the generation of electrical energy—".

There are other State-side articles of interest that advise caution before implementing any changes to the "deregulation" of the utilities. The Engineering System publication, April '98 noted that the Massachusetts Electric Industry restructuring law is under attack by private citizens to put the repeal question on the ballot. Consumers Union is also questioning the benefits for the electric power customer under the proposal to de-regulate the industry. I would be interested in receiving a copy of your sub-committee report.

Sincerely,

Henry P. Lang
Henry P. Lang PE

Copy: Senator Loren Leman
Representative Ethan Berkowitz
ARECA Eric Yould, Executive Director
APUC Sam Cotton, Chair

Post-It® Fax Note	7671	Date	11/3	# of pages	1
To	Janet Seitz	From	Henry Lang		
Co./Dept.	Joint Comm. U.F.I.	Co.	Lang		
Phone #	269 0119	Phone #	274 7948		
Fax #	258 2196	Fax #			

per request

Laura Bonner
3101 E. 112th Ave
Anchorage, Alaska 99516
Nov. 5, 1998

NOV - 6 1998

Rep Norm Rokeberg
716 W. 4th Ave #640
Anchorage, Alaska 99501-2133

Dear Representative Rokeberg,

I am writing to speak against allowing the deregulation of power generation, transmission or distribution. I oppose any type of pilot program because it would not be an accurate gauge of long term affects. It would be too easy to show artificially low costs while not showing the the full long term impact to all consumers. The following are the issues I believe are important.

Reliability- Electricity is an essential service. While some in remote locations live without power, most Alaskans need reliable power. California tried some deregulation, and when they were hit by powerful storms a few years ago, they had real problems because their system had not been maintained due to cost-cutting measures to remain competitive. Outages were wide-spread and power restoral took much longer to repair lines and equipment that may have stayed working if regular maintenance was done. Power systems need regular maintenance to provide for reliability and safety for the public and the employees working near energized lines and equipment.

Cost to Consumers - Large consumers would be able to negotiate for lower rates, while residential and small commercial consumers will have little negotiating power. It will still cost "\$x" to generate and deliver the power, and so the burden will increase on the small consumer. The only way for the small consumers to have any negotiating power for rates is to form a cooperative. Many of the utilities in Alaska are already cooperatives or owned by the city or local governments.

Mergers - When the telephone industry was deregulated, it was envisioned that many small companies would be competing to kept rates low. What is starting to happen now is the mergers and many of the small companies are unable to compete. There is now concern that the mergers and acquisitions are resulting in companies that can now manipulate prices and services.

Please keep safe and reliable power systems in Alaska. We should not deregulate power just because it is a popular (fad) experiment Outside.

Sincerely,

Laura Bonner

Laura Bonner

907-344-7488



National Conference of State Legislatures

State Legislative Elections--1998

Initiatives and Referenda

California Initiatives and Referenda

Proposition 9 Electric Utilities. Assessments. Bonds.

Type: Initiative

Status: Fail

Summary: Prohibits assessment of taxes, bonds, surcharges to pay costs of nuclear power plants. Limits recovery by electric companies for costs of non-nuclear power plants. Prohibits issuance of rate reduction bonds.

CA Secretary of State - Vote98**[Top](#) | [Must Read](#) | [Status](#) | [Java](#) | [Feedback](#)**

State Ballot Measures

100.0% (24069 of 24069) precincts reporting as of Nov 5, 1998 at 7:43 am

Statewide Returns			County Returns Other Races		
Propositions	Yes Votes	Pct.	No Votes	Pct.	
<u>1A</u> Y School Bond Act	4,324,195	62.4	2,608,302	37.6	Map
<u>1</u> Y Property Taxes	4,732,339	70.7	1,970,323	29.3	Map
<u>2</u> Y Transportation	4,871,285	74.9	1,633,276	25.1	Map
<u>3</u> N Pres. Primary	3,032,765	46.0	3,553,597	54.0	Map
<u>4</u> Y Animal Trap Ban	3,979,348	57.5	2,952,666	42.5	Map
<u>5</u> Y Tribal Gaming	4,524,480	62.6	2,713,365	37.4	Map
<u>6</u> Y Sale Horsemeat	4,138,376	59.4	2,840,114	40.6	Map
<u>7</u> N Air Quality	2,932,652	43.4	3,811,915	56.6	Map
<u>8</u> N Class Reduction	2,587,943	36.9	4,422,515	63.1	Map
<u>9</u> N Elect Utility	1,835,687	26.6	5,065,385	73.4	Map
<u>10</u> Y Tobacco Tax	3,555,725	50.2	3,540,799	49.8	Map
<u>11</u> Y Sales & Use Tax	3,443,435	53.1	3,052,459	46.9	Map

Y - Proposition is passing

N - Proposition is not passing

County Returns for State Ballot Measures

[Alameda](#)
[Alpine](#)
[Amador](#)
[Butte](#)
[Calaveras](#)
[Colusa](#)
[Contra Costa](#)
[Del Norte](#)
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[Trinity](#)
[Tulare](#)
[Tuolumne](#)
[Ventura](#)
[Yolo](#)
[Yuba](#)

California 1998 General Election

Links to Other Races

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[State Senate](#)
[State Assembly](#)

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[Secretary of State](#)
[Controller](#)
[Treasurer](#)

[Attorney General](#)

[Insurance Commissioner](#)
[Superintendent of Public Instruction](#)
[Board of Equalization](#)
[Supreme Court](#)
[Court of Appeals](#)

[Alphabetic List of Candidates](#)[Legislative Scoreboard](#)

California 1998 General Election

Party Abbreviations

Party Abbreviations

Dem - Democratic	Lib - Libertarian
Rep - Republican	Nat - Natural Law
AmI - American Independent	P&F - Peace & Freedom
Grn - Green	Ref - Reform
	Ind - Independent (no party affiliation)

Proposition 9 | [Previous - 8](#) | [Voter Guide](#) | [Next - 10](#) | [Analysis of 9](#) |



Electric Utilities. Assessments. Bonds. Initiative Statute.

Official Title and Summary prepared by the Attorney General

Full Text of
Proposed Law

ELECTRIC UTILITIES. ASSESSMENTS. BONDS. INITIATIVE STATUTE.

- Prohibits assessment of utility tax, bond payments or surcharges for payment of costs of nuclear power plants/related assets.
- Limits authority of electric companies to recover costs for non-nuclear generation plants.
- Prohibits issuance of rate reduction bonds and assessments on customers for payment of bond principal, interest, and related costs.
- Provides judicial review of Public Utilities Commission decisions relating to electric restructuring and financing costs by writ of mandate.
- May provide up to 20% electricity rate reduction for residential and small commercial customers of investor-owned utilities by January 1, 1999.
- Restricts customer information dissemination.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- State government net revenue reductions potentially in the high tens of millions of dollars annually through 2001-02.
- Local government net revenue reductions potentially in the tens of millions of dollars annually through 2001-02.
- State and local government savings in utility costs, potentially in the tens of millions of dollars annually through 2001-02.

-
- [**Analysis by the Legislative Analyst**](#)
 - [**Argument in Favor of Proposition 9**](#)
 - [**Rebuttal to Argument in Favor of Proposition 9**](#)
 - [**Argument Against Proposition 9**](#)
 - [**Rebuttal to Argument Against Proposition 9**](#)
 - [**Full Text of Proposition 9**](#)
-

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Proposition 9 | [Text of Proposed Law](#) | [Proposition 9](#) | [Argument in Favor](#) |Electric Utilities. Assessments. Bonds.
Initiative Statute.

Analysis by the Legislative Analyst

Background

In 1996 and 1997, the state significantly changed the way the electricity industry is regulated in California. New state laws deregulated the *generation* of electricity--that is, its actual production. (They did not, however, deregulate the transmission or distribution of electrical power.) These new laws also set up statewide entities to ensure the availability of power and the reliability of the statewide electrical system.

Before deregulation, private utilities were able to recover the costs of generating electricity through the rates they charged to their customers, as long as the California Public Utilities Commission (PUC) approved these costs as "reasonable." Under deregulation, the prices that customers pay for electricity will not be set by government-approved rates, but will be determined in the competitive market.

The state's "restructuring" of the electricity industry primarily affects the state's *private* electric utilities. There are three major private electricity utilities in California: Pacific Gas & Electric, San Diego Gas & Electric, and Southern California Edison.

There are three main provisions of the restructuring laws that would be affected by this measure.

Transition Cost Recovery. Restructuring allows private electric utilities to recover their "transition" costs through surcharges to customers. These "transition" costs (also referred to as "stranded" costs) are defined as the costs of existing power plants that are unprofitable in a competitive energy market. The PUC was required to approve the amount of transition costs the utility companies could recover through surcharges. The transition cost recovery period began January 1, 1998 and ends no later than December 31, 2001. There are some exceptions to this time line, such as (1) certain costs related to the San Onofre nuclear power plants in San Diego County, which can be recovered until December 31, 2003; and (2) costs related to contracts to purchase electricity from certain renewable generation facilities (for example, windmills and solar power) and cogeneration facilities, which can be recovered over the life of the contracts.

Required Rate Reduction. The restructuring laws require a 10 percent reduction in electricity rates that were in effect on June 10, 1996 for residential and small commercial customers of the private utilities. This rate reduction was effective January 1, 1998 and continues until the earlier of March 31, 2002, or such time as transition costs have been fully recovered. The Legislature also expressed its intent, but did not require, that a cumulative rate reduction of 20 percent be achieved by April 1, 2002 for these customers.

Bonds. The restructuring laws also called for the issuance of "rate reduction" bonds. Before the bonds could be sold, the PUC was required to find that issuance of the bonds would help provide the 10 percent rate reduction for residential and small commercial customers. The restructuring laws also declare that (1) the bonds are not to be an obligation of the state or any of its political subdivisions and (2) the state will not limit or alter the provisions relating to transition charges and the bond arrangements.

In November and December 1997, a total of \$6 billion worth of such bonds were sold by a special purpose trust authorized by the state. The bonds are to be paid off through additional charges on the electricity bills of residential and small commercial customers of the private utilities.

Proposal

This initiative measure modifies the provisions of current law discussed above in the following manner:

- **Transition Cost Recovery.** The measure would not allow private electric utilities to charge customers for the transition costs for nuclear power plants (other than reasonable decommissioning costs). In addition, before the private utilities could charge customers for the transition costs of *non*-nuclear generation (other than costs associated with renewable electricity generation facilities) the utilities would be required to demonstrate to the PUC that these costs could not be recovered in the competitive market (with a fair rate of return).
- **Required Rate Reduction.** The measure would require at least a 20 percent rate reduction (rather than the 10 percent reduction required in current law) on the total electricity bill for residential and small commercial customers compared to the rates for these customers on June 10, 1996. The rate reduction would begin January 1, 1999. (The measure is unclear as to how long this rate reduction would last.)
- **Bonds.** The measure would not allow the utilities to charge customers for the costs of repaying the rate reduction bonds. Legal questions have been raised regarding the application of the measure's provisions to these bonds. For instance, the measure could be interpreted as interfering with a contractual arrangement already entered into with the bondholders. (The state and federal constitutions prohibit impairments of contracts.) At this time, it is not clear whether the measure would have any impact on the repayment of these bonds or, if it did, what the impact would be.

The measure also requires certain PUC decisions relating to electric restructuring and the financing of transition costs be referred to the courts of appeal, rather than directly to the California Supreme Court.

Fiscal Effect

The measure has several provisions that probably would be challenged in the courts. How these issues are ultimately resolved by the courts could significantly affect the fiscal impact of the measure. However, as written, the measure could result in significant impacts on state and local government revenues and expenditures.

In estimating the measure's fiscal impacts, a key assumption is the level of stranded assets currently eligible for cost recovery by the utilities but that would not be eligible for recovery under this measure. In order to estimate the potential impacts, we have assumed that stranded costs affected by this measure would approximate the value of the utilities' nuclear-related stranded costs--about \$10 billion.

State and Local Tax Revenues

Impacts on Utilities. With regard to taxes paid by the utilities:

- The elimination of transition costs currently collected by the utilities (through billings to customers) would reduce the income to these utilities, which is currently subject to the state bank and corporation tax. This would result in reductions in state tax revenues, potentially up to \$200 million annually through 2001-02. In addition, because many local governments levy utility fees based on billings, their revenues would also decline--perhaps by tens of millions of dollars statewide per year through

2001-02. If the inability to recover stranded costs led to an early shutdown of any nuclear plant, there would be further reductions in corporate income taxes.

- The measure could also result in a reduction in property tax valuations of nuclear facilities because of the inability of a private utility to recover its stranded costs. Any such reductions would result in unknown losses in local property taxes--potentially in the low tens of millions of dollars annually.

Impacts on Utility Customers. With regard to taxes paid by the *utilities' customers*:

- Customers receiving utility rate reductions would have more discretionary income available to save or spend on other goods and services. This could result in state and local governments receiving more revenues from the sales tax. This additional revenue could total in the high tens of millions of dollars annually through 2001-02, of which about three-fourths would go to state government and the remainder to local governments.
- The reduction in transition cost payments would lower the energy-related costs of business customers, leading to higher net incomes that would be subject to state corporate and personal income taxes. We estimate that this could result in more tax revenue to the state totaling in the high tens of millions of dollars per year through 2001-02.

Summary of Revenue Effects. The net impact of these changes on *state government* revenues would be annual revenue reductions, potentially in the high tens of millions of dollars annually through 2001-02. The net impact on *local governments* would be revenue reductions, potentially in the tens of millions of dollars annually through 2001-02.

State and Local Expenditures

State Spending on Schools. The measure could affect state spending on schools in two ways. First, the reduction in state revenues (discussed above) could reduce the amounts the state would have to pay schools in future years. This could result in state savings--potentially up to half the amount of the annual state revenue losses. Second, the state would also be required to offset any local school district losses of property taxes that resulted from any reduction in the property values of nuclear facilities. This would increase state spending on schools.

Utility Cost Savings. The state and local governments would realize savings associated with lower utility rates resulting from elimination of transition costs related to nuclear power plants. The savings could be in the tens of millions of dollars annually.

State Administrative Costs. The measure could result in additional workload for the PUC and the courts. This would involve activities such as hearings regarding rate reductions and related fair rate of return. The measure could also require additional legal costs associated with cases before the courts of appeal. These costs would probably be less than \$5 million annually.

Proposition 9 | [Analysis](#) | **Proposition 9** | [Rebuttal to Argument in Favor](#) |



Electric Utilities. Assessments. Bonds. Initiative Statute.

Argument in Favor of Proposition 9

For years, Californians have been forced to buy electricity from giant utility monopolies that charge some of the highest electric rates in the nation. That was supposed to change when federal policy opened the way for all states to break up the utility monopolies that control electricity and allow consumers to choose competing suppliers. But California's biggest utility companies--SoCal Edison, PG&E and San Diego Gas & Electric--afraid of losing their protected markets and guaranteed profits, spent millions on lobbyists and campaign contributions to cut a special deal with the politicians in Sacramento.

What they got stands out as one of the worst cases of legislative pandering in California history. Instead of opening California to competition, consumer choice, and lower rates, the State Legislature gave the giant utilities special advantages that wipe out any real competition and block residential consumers and small businesses from genuine rate reductions.

As part of the deal, the utilities were allowed to freeze the price of electricity for residential and small business users at recent high levels. The giant utilities also got their money-losing investments in nuclear power paid off as part of a disguised \$28 billion tax on consumers' electricity bills--an outrageous act of corporate welfare costing average ratepayers close to \$1000 (much more if you have air conditioning). Thanks to the giant utilities, consumers are paying a high price for "deregulation" but get none of the benefits.

Adding insult to injury, the Legislature sugarcoated the \$28 billion utility bailout tax with a phony 10% reduction. The utility companies were allowed to borrow billions to finance the rate cut. But consumers will have to pay the borrowed money back, with interest, every month for ten years! It's right on your bill. Your monthly financing charge (called "TTA" on your bill) is greater than the rate cut. It's not a genuine rate reduction. It's a rip-off. Californians deserve better.

That's why taxpayers, consumer advocates, small businesses and environmentalists, along with nearly 500,000 California voters, have placed Proposition 9 on the ballot.

Prop. 9 will:

- Block the \$28 billion utility bailout tax on consumers and small businesses
- Provide an immediate rate cut of 20%
- Open California to real competition and consumer choice
- Allow a competitive market to set rates (which a California Energy Commission study estimates will drop as much as 32%!)
- Protect individual privacy by banning the sale of customer information without permission
- Make sure consumers have the information they need to choose the best electric supplier *while maintaining a safe and reliable electric system.*

Proposition 9 is a carefully and responsibly crafted initiative, written by utility experts and consumer advocates. *It has already passed a court challenge by the giant utilities and their allies.* They're spending millions to confuse and frighten voters. Don't be fooled. Get the

facts. Read your electricity bill. Talk to your friends. Decide for yourself. Prop 9 deserves your support. Vote YES on Prop 9.

HARVEY ROSENFELD

Co-Chair, Californians against Utility Taxes (CUT)

NETTIE HOGE

Executive Director, The Utility Reform Network (TURN)

HARRY M. SNYDER

Senior Advocate, Consumers Union, Publisher of Consumer Reports

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Proposition 9 | [Argument in Favor](#) | **Proposition 9** | [Argument Against](#) |



Electric Utilities. Assessments. Bonds.
Initiative Statute.

Rebuttal to Argument in Favor of Proposition 9

Consumer representatives, leading environmental, taxpayer, public safety and school groups urge you to Vote NO on Proposition 9.

Vote NO! Give lower costs and the rate cuts provided by competition and choice in the electric industry a chance to work.

CONSUMER ADVOCATE DAVID HOROWITZ spends his career unmasking consumer rip-offs. He says Proposition 9 won't work:

"There is no bailout. Their promise of a rate cut is bogus. This measure will result in higher utility bills. The way to cut our electric bills is with competition and choice."

THE CALIFORNIA ORGANIZATION OF POLICE AND SHERIFFS says "Vote No":

"Proposition 9 wipes out financing for \$6 billion in previously sold bonds. Taxpayers will have to pick up the tab or we'll have to cut police, fire and other services."

THE CALIFORNIA SCHOOL EMPLOYEES ASSOCIATION says kids will be hurt:

"Proposition 9 creates financial chaos that will undermine all the progress we've made in getting our schools back on track in recent years."

THE CALIFORNIA CHAMBER OF COMMERCE says Proposition 9 won't work:

"Proposition 9 sacrifices reliable electric service for an uncertain future. We have a program to create competition and lower prices. They're trying to fix something that's not broken."

THE ENVIRONMENTAL DEFENSE FUND and THE NATURAL RESOURCES DEFENSE COUNCIL are opposed to Proposition 9. They say, "It would lead to years of litigation and delay."

Vote NO in order to promote efficient, renewable and low-cost energy.

Join us. Vote NO on Proposition 9.

DAVID HOROWITZ

Host of "Fight Back with David Horowitz"

DON BROWN

President, California Organization of Police and Sheriffs (COPS)

MS. RUSTY HEROD

President, California School Employees Association

Proposition 9 | Argument in Favor | **Proposition 9** | Argument Against |

Proposition 9 | [Rebuttal to Argument in Favor](#) | **Proposition 9** | [Rebuttal to Argument Against](#) |



**Electric Utilities. Assessments. Bonds.
Initiative Statute.**

Argument against Proposition 9

Proposition 9 is bad for California--bad for consumers, for taxpayers, for our economy, for our schools, for our environment and for our communities.

Vote No on Proposition 9 because it would hit taxpayers with liability for over \$6 billion in bond payments.

Vote No on Proposition 9 because it would undermine California's stable, affordable competitive electric system, eliminating consumer choice and driving "clean energy" electric service providers out of California.

Vote No on Proposition 9 because it would ultimately force higher electric rates on consumers and businesses.

Vote No on Proposition 9 because it would cut funding for our schools by hundreds of millions of dollars.

Vote No on Proposition 9 because it would threaten California's economy by jeopardizing state and local bond ratings.

Proposition 9 can't deliver on its promises. Proponents focused on only part of a very complex program to bring new competition to California's electricity marketplace. Proposition 9 is so poorly written that it would cost taxpayers millions of dollars in useless bureaucratic red tape, attorney fees and lawsuits.

Many of your fellow Californians are voting No on Proposition 9 because it won't work and is too costly.

The California Schools Boards Association warns: "California schools can't afford a hit on the state budget. Kids and our schools will be hurt by this Proposition. Our kids deserve better."

Jerry Meral, Executive Director of The Planning and Conservation League, says: "Proposition 9 would deal a serious blow to clean, environmentally safe power and energy conservation. Protect the California environment by voting NO."

The California Taxpayers Association says: "Proposition 9 would make taxpayers liable for \$6 billion in bond debts, creating a gaping hole in the state budget and raising the serious threat of tax increases. VOTE NO."

The State Department of Finance warns: "Planning for a budget contingency of potentially [\$6] billion could directly affect *every* program in the state budget . . ."

Betty Jo Toccoli, Chair of the California Small Business Roundtable says: "Small businesses want to be able to lower their utility costs by choosing the lowest-cost electric company. Proposition 9 will force us back to monopoly suppliers and significantly higher electric bills."

The real savings for Californians will come when true competition reduces electric rates. But Proposition 9 would pull the plug on competition just as it is getting underway in California.

Proposition 9 promises too much, too fast and forces taxpayers to pay for its mistakes.

When something sounds too good to be true, it usually is. Proposition 9 was written to sound appealing, but it is a serious mistake we cannot afford.

Vote No on Proposition 9.

LARRY McCARTHY
President, California Taxpayers Association

JERRY MERAL
Executive Director, Planning & Conservation League

ALLAN ZAREMBERG
President, California Chamber of Commerce

Proposition 9 | [Rebuttal to Argument in Favor](#) | **Proposition 9** | [Rebuttal to Argument Against](#) |

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Electric Utilities. Assessments. Bonds.
Initiative Statute.

Rebuttal to Argument against Proposition 9

California's biggest electric utilities have deceived consumers for decades.

They stuck Californians with some of the nation's highest electric rates. They made money-losing investments in nuclear power costing consumers *\$50 billion*. They claimed to support renewable energy like wind and solar but often worked behind the scenes against it. Their proposed rate hikes were inflated by billions of dollars in unjustified claims.

These utility companies and their special interest allies claim that Proposition 9 will cause a power system collapse, economic meltdown, school bankruptcies and taxpayer liability for utility bonds.

With their record of deception, who can believe them?

In fact, state law already prohibits *taxpayer* liability for the utilities' \$6 billion bond debt. Only Proposition 9 will protect *consumers and small businesses* from being saddled with the utilities' debt. Proposition 9 holds utility companies and their investors--*not* consumers or taxpayers--responsible for their debts.

A preliminary analysis by the California Energy Commission estimates that Proposition 9 will lower *electric rates by as much as 32%*, saving public agencies and school districts hundreds of millions. Proposition 9 benefits California's economy because it puts billions of dollars back in the hands of consumers who live and work in California.

It's time utility companies stopped playing games with California's energy future. Californians want fair rates. A 20% *real* rate reduction. Reliable and safe energy choices. No bailout of nuclear power. No corporate welfare. No deception. On November 3, vote *YES on Proposition 9*.

RALPH NADER
Consumer Advocate

DAVID BROWER
Founder, Friends of the Earth

EUGENE P. COYLE, Ph.D.
Utility Economist

[Proposition 9](#) | [Argument Against](#) | [Proposition 9](#) | [Next Proposition \(10\)](#) |

Proposition 9 | Proposition 9 | Analysis |**Electric Utilities. Assessments. Bonds.
Initiative Statute.**

Proposition 9 - Full Text of the Proposed Law

This initiative measure is submitted to the people in accordance with the provisions of Article II, Section 8 of the California Constitution.

This initiative measure amends and adds sections to the Public Utilities Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW**THE UTILITY RATE REDUCTION AND REFORM ACT****SECTION 1. Findings and Declarations.**

The People of California find and declare as follows:

The cost and dependability of California's electric utility service are threatened by a new law that was intended to reduce regulation of electric utility companies in this state.

Any change in the way electricity is sold should benefit all electric utility customers, including residential and small business customers, and should result in a fair and competitive marketplace.

Instead of creating a fully competitive market for electricity, the new law unfairly favors existing electric utility monopolies by forcing customers to pay rates more than 40 percent higher than the market price in order to bail out utilities for their past bad investments.

As a result of this \$28 billion bailout for electric utility companies, the average California household will pay more than \$250 more per year for electricity than it would in a fully competitive market.

Residential and small business customers should not be required to bear the costs of bonds used by utility companies to pay for past bad investments.

It is against public policy for residential and small business customers to be required to pay for the imprudent and uneconomic decisions of electric utility companies to invest in nuclear power plants that the public did not want and that threaten the health and safety of this state.

Under the new law, deregulation of electric utility companies may result in marketing abuses that harm residential and small business customers. Such abuses may include the selling of information about these customers to other companies for profit.

Therefore, the People of California declare that it is necessary to protect residential and small business customers from unfair and unjustified taxes and surcharges that will force them to subsidize electric utility companies. It is also necessary to ensure that residential and small business customers directly benefit from deregulation of electric utility companies.

SEC. 2. Purpose.

The purpose of this chapter is to:

1. Reduce residential and small commercial electricity rates by 20 percent to assure that these customers receive a direct benefit from the transition to the competitive marketplace for electricity.
2. Prohibit taxes, surcharges, bond payments, or any other assessment from being added to electricity bills to pay off utility companies' past bad investments in nuclear power plants and other generation-related costs.
3. Prohibit bonds from being used to force residential and small business customers to pay for past bad investments by electric utility companies.
4. Provide for fair and public review of California Public Utilities Commission decisions related to electricity price and services.
5. Protect the privacy of utility customers and provide the information consumers need to obtain low cost and high quality electric service.

SEC. 3. Section 368.1 is added to the Public Utilities Code, to read:

368.1. (a) No later than January 1, 1999, electricity rates for residential and small commercial customers shall be reduced so that these customers receive rate reductions of at least 20 percent on their total electricity bill as compared to the rate schedules in effect for these customers on June 10, 1996.

(b) The rate reductions described in subdivision (a) shall be achieved through cutting payments to electric corporations for their nuclear and other uneconomic generation costs as described in Sections 367.1 and 367.2.

(c) No utility tax, bond payment, surcharge, or other assessment in any form may be levied against any electric utility customer to pay for the rate reductions described in subdivisions (a) and (b).

SEC. 4. Section 367.1 is added to the Public Utilities Code, to read:

367.1. (a) Effective immediately, costs for nuclear generation plants and related assets and obligations shall not be paid for by electric utility customers, except to the extent that these costs are recovered by the sale of electricity at competitive market prices as reflected in independent Power Exchange revenues or in contracts with the Independent System Operator.

(b) No utility tax, bond payment, surcharge, or other assessment in any form may be levied against any electric utility customer for the recovery of nuclear costs described in subdivision (a).

(c) This section does not apply to reasonable nuclear decommissioning costs as referenced in Section 379.

SEC. 5. Section 367.2 is added to the Public Utilities Code, to read:

367.2. (a) Effective immediately, costs for non-nuclear generation plants and related assets and obligations may not be recovered from electric utility customers under the cost recovery mechanism provided for by Sections 367 to 376, inclusive, except to the extent that those costs are recovered by the sale of electricity at competitive market rates from

independent Power Exchange revenues or from contracts with the Independent System Operator, unless the electric utility first demonstrates to the satisfaction of the commission at a public hearing that failure to recover those costs would deprive it of the opportunity to earn a fair rate of return.

(b) This section does not apply to costs associated with renewable non-nuclear electricity generation facilities described in paragraph (3) of subdivision (c) of Section 381, or to costs associated with power purchases from qualifying facilities pursuant to the federal Public Utility Regulatory Policies Act of 1978 and related commission decisions.

SEC. 6. Section 840.1 is added to the Public Utilities Code, to read:

840.1. Notwithstanding current Sections 840 to 847, inclusive:

(a) No electric corporation, affiliate of an electric corporation, or any other financing entity may assess or collect any utility tax, bond payment, surcharge, or any other assessment authorized by a Public Utilities Commission financing order issued pursuant to Sections 840 to 847, inclusive, for the purpose of paying principal, interest, or other costs of any bonds authorized by those sections.

(b) The Public Utilities Commission may not issue any financing order pursuant to Sections 840 to 847, inclusive, after the effective date of this section.

(c) Any electric corporation, affiliate of an electric corporation, or other financing entity that is subject to a financing order issued under Section 841 that is determined by a court of competent jurisdiction to be enforceable notwithstanding subdivision (a) of this section, shall offset any utility tax, bond payment, surcharge, or other assessment described in subdivision (a) collected from any customer with an equal credit to be applied concurrently with the collection of the utility tax, bond payment, surcharge, or other assessment.

SEC. 7. Section 841.1 is added to the Public Utilities Code, to read:

841.1. Any underwriter or bond purchaser who purchases rate reduction bonds after November 24, 1997, issued pursuant to current Sections 840 to 847, inclusive, shall be deemed to have notice of the provisions of Sections 367.1, 367.2, 368.1, and 840.1.

SEC. 8. Section 1701.5 is added to the Public Utilities Code, to read:

1701.5. (a) Any action or proceeding of the Public Utilities Commission pursuant to Sections 367.1, 367.2, 368.1, and 840.1 shall require a public hearing where evidence is taken by, and discretion is vested in, the Public Utilities Commission.

(b) Any change to the amount of above-market costs for non-nuclear generation plants and related assets and obligations being recovered from utility customers shall be made only after the electrical corporation has provided notice to the public pursuant to Section 454.

(c) Any action or proceeding to attack, review, set aside, void, or annul a determination, finding, or decision of the Public Utilities Commission relating to electric restructuring under Chapter 2.3 (commencing with Section 330) and financing of transition costs as described in Article 5.5 (commencing with Section 840) of Chapter 4 shall be in accordance with Section 1094.5 of the Code of Civil Procedure. In any such action, the writ of mandate shall lie from the court of appeals to the Public Utilities Commission. The court may not exercise its independent judgment, but shall determine only whether the determination, finding, or decision of the Public Utilities Commission is supported by substantial evidence in light of the whole record.

SEC. 9. Section 394.15 is added to the Public Utilities Code, to read:

394.15. The confidentiality of residential and small commercial customer information shall be fully protected as provided by law. No entity providing electricity services, including an electric corporation, may provide information about a residential or small commercial customer to any third party without the express written consent of the customer.

SEC. 10. Section 393 is added to the Public Utilities Code, to read:

393. The Public Utilities Commission shall require each electric utility or electric service provider to provide information or materials with each utility bill issued to residential and small commercial customers as the commission determines are necessary to assist consumers in obtaining low-cost, high-quality electric service options, including electric service options that reduce environmental impacts such as those that rely on renewable energy sources, and to protect the consumers' interest in all matters concerning safe and dependable delivery of electric service.

SEC. 11. Section 330.1 is added to the Public Utilities Code, to read:

330.1. (a) "Utility tax," "bond payments," "surcharge," "assessment," or "involuntary payment" mean any charge that serves to permit an electric corporation to recover the value of uneconomic assets from ratepayers, and includes, but is not limited to, a "fixed transition amount," as defined by subdivision (d) of Section 840, and the "competition transition charge" that is the nonbypassable charge referred to in Sections 367 to 376, inclusive.

(b) For purposes of this section and Sections 367.1, 367.2, 368.1, 393, and 840.1, the terms "electric utility," "electric utility company," and "electric corporation" have the same meaning as the term "electrical corporation" as defined in Section 218.

SEC. 12. Section 367 of the Public Utilities Code is amended to read:

367. The commission shall identify and determine those costs and categories of costs for generation-related assets and obligations, consisting of generation facilities, generation-related regulatory assets, nuclear settlements, and power purchase contracts, including, but not limited to, restructurings, renegotiations or terminations thereof approved by the commission, that were being collected in commission-approved rates on December 20, 1995, and that may become uneconomic as a result of a competitive generation market, in that these costs may not be recoverable in market prices in a competitive market, and appropriate costs incurred after December 20, 1995, for capital additions to generating facilities existing as of December 20, 1995, that the commission determines are reasonable and should be recovered, provided that these additions are necessary to maintain the facilities through December 31, 2001. These uneconomic costs shall include transition costs as defined in subdivision (f) of Section 840, and shall be recovered from all customers or in the case of fixed transition amounts, from the customers specified in subdivision (a) of Section 841, on a nonbypassable basis and shall:

(a) ~~Be amortized over a reasonable time period, including collection on an accelerated basis, consistent with not increasing rates for any rate schedule, contract, or tariff option above the levels in effect on June 10, 1996; provided that, the recovery shall not extend beyond December 31, 2001, except as follows:~~

(1) ~~Costs associated with employee-related transition costs as set forth in subdivision (b) of Section 375 shall continue until fully collected; provided, however, that the cost collection shall not extend beyond December 31, 2006.~~

(2) ~~Power purchase contract obligations shall continue for the duration of the contract. Costs associated with any buy out, buy down, or renegotiation of the contracts shall continue to be collected for the duration of any agreement governing the buy out, buy down, or renegotiated contract; provided, however, no power purchase contract shall be extended as a~~

~~result of the buy out, buy down, or renegotiation.~~

~~(3) Costs associated with contracts approved by the commission to settle issues associated with the Biennial Resource Plan Update may be collected through March 31, 2002; provided that only 80 percent of the balance of the costs remaining after December 31, 2001, shall be eligible for recovery.~~

~~(4) Nuclear incremental cost incentive plans for the San Onofre nuclear generating station shall continue for the full term as authorized by the commission in Decision 96-01-011 and Decision 96-04-059; provided that the recovery shall not extend beyond December 31, 2003.~~

~~(5) Costs associated with the exemptions provided in subdivision (a) of Section 374 may be collected through March 31, 2002, provided that only fifty million dollars (\$50,000,000) of the balance of the costs remaining after December 31, 2001, shall be eligible for recovery.~~

~~(6) Fixed transition amounts, as defined in subdivision (d) of Section 840, may be recovered from the customers specified in subdivision (a) of Section 841 until all rate reduction bonds associated with the fixed transition amounts have been paid in full by the financing entity.~~

(b) Be based on a calculation mechanism that nets the negative value of all above market utility-owned generation-related assets against the positive value of all below market utility-owned generation related assets. For those assets subject to valuation, the valuations used for the calculation of the uneconomic portion of the net book value shall be determined not later than December 31, 2001, and shall be based on appraisal, sale, or other divestiture. The commission's determination of the costs eligible for recovery and of the valuation of those assets at the time the assets are exposed to market risk or retired, in a proceeding under Section 455.5, 851, or otherwise, shall be final, and notwithstanding Section 1708 or any other provision of law, may not be rescinded, altered or amended.

~~(c)~~

(b) Be limited in the case of utility-owned fossil generation to the uneconomic portion of the net book value of the fossil capital investment existing as of January 1, 1998, and appropriate costs incurred after December 20, 1995, for capital additions to generating facilities existing as of December 20, 1995, that the commission determines are reasonable and should be recovered, provided that the additions are necessary to maintain the facilities through December 31, 2001. All "going forward costs" of fossil plant operation, including operation and maintenance, administrative and general, fuel and fuel transportation costs, shall be recovered solely from independent Power Exchange revenues or from contracts with the Independent System Operator, provided that for the purposes of this chapter, the following costs may be recoverable pursuant to this section:

(1) Commission-approved operating costs for particular utility-owned fossil powerplants or units, at particular times when reactive power/voltage support is not yet procurable at market-based rates in locations where it is deemed needed for the reactive power/voltage support by the Independent System Operator, provided that the units are otherwise authorized to recover market-based rates and provided further that for an electrical corporation that is also a gas corporation and that serves at least four million customers as of December 20, 1995, the commission shall allow the electrical corporation to retain any earnings from operations of the reactive power/voltage support plants or units and shall not require the utility to apply any portions to offset recovery of transition costs. Cost recovery under the cost recovery mechanism shall end on December 31, 2001.

(2) An electrical corporation that, as of December 20, 1995, served at least four million customers, and that was also a gas corporation that served less than four thousand customers, may recover, pursuant to this section, 100 percent of the uneconomic portion of the fixed costs paid under fuel and fuel transportation contracts that were executed prior to

December 20, 1995, and were subsequently determined to be reasonable by the commission, or 100 percent of the buy-down or buy-out costs associated with the contracts to the extent the costs are determined to be reasonable by the commission.

~~(d)~~

(c) Be adjusted throughout the period through March 31, 2002, to track accrual and recovery of costs provided for in this subdivision. Recovery of costs prior to December 31, 2001, shall include a return as provided for in Decision 95-12-063, as modified by Decision 96-01-009, together with associated taxes.

~~(e)~~

(d) (1) Be allocated among the various classes of customers, rate schedules, and tariff options to ensure that costs are recovered from these classes, rate schedules, contract rates, and tariff options, including self-generation deferral, interruptible, and standby rate options in substantially the same proportion as similar costs are recovered as of June 10, 1996, through the regulated retail rates of the relevant electric utility, provided that there shall be a firewall segregating the recovery of the costs of competition transition charge exemptions such that the costs of competition transition charge exemptions granted to members of the combined class of residential and small commercial customers shall be recovered only from these customers, and the costs of competition transition charge exemptions granted to members of the combined class of customers, other than residential and small commercial customers, shall be recovered only from these customers.

(2) Individual customers shall not experience rate increases as a result of the allocation of transition costs. However, customers who elect to purchase energy from suppliers other than the Power Exchange through a direct transaction, may incur increases in the total price they pay for electricity to the extent the price for the energy exceeds the Power Exchange price.

(3) The commission shall retain existing cost allocation authority, provided the firewall and rate freeze principles are not violated.

SEC. 13. Section 368 of the Public Utilities Code is amended to read:

368. Each electrical corporation shall propose a cost recovery plan to the commission for the recovery of the uneconomic costs of an electrical corporation's generation-related assets and obligations identified in Section 367. The commission shall authorize the electrical corporation to recover the costs pursuant to the plan if the plan meets the following criteria:

(a) The cost recovery plan shall set rates for each customer class, rate schedule, contract, or tariff option, at levels equal to the level as shown on electric rate schedules as of June 10, 1996, provided that rates for residential and small commercial customers shall be reduced so that these customers shall receive rate reductions of no less than 10 percent for 1998 continuing through 2002. These rate levels for each customer class, rate schedule, contract, or tariff option shall remain in effect until the earlier of March 31, 2002, or the date on which the commission-authorized costs for utility generation-related assets and obligations have been fully recovered. The electrical corporation shall be at risk for those costs not recovered during that time period. Each utility shall amortize its total uneconomic costs, to the extent possible, such that for each year during the transition period its recorded rate of return on the remaining uneconomic assets does not exceed its authorized rate of return for those assets. For purposes of determining the extent to which the costs have been recovered, any over-collections recorded in Energy Costs Adjustment Clause and Electric Revenue Adjustment Mechanism balancing accounts, as of December 31, 1996, shall be credited to the recovery of the costs.

(b) The cost recovery plan shall provide for identification and separation of individual rate components such as charges for energy, transmission, distribution, public benefit programs,

and recovery of uneconomic costs. The separation of rate components required by this subdivision shall be used to ensure that customers of the electrical corporation who become eligible to purchase electricity from suppliers other than the electrical corporation pay the same unbundled component charges, other than energy, that a bundled service customer pays. No cost shifting among customer classes, rate schedules, contract, or tariff options shall result from the separation required by this subdivision. Nothing in this provision is intended to affect the rates, terms, and conditions or to limit the use of any Federal Energy Regulatory Commission-approved contract entered into by the electrical corporation prior to the effective date of this provision.

(c) In consideration of the risk that the uneconomic costs identified in Section 367 may not be recoverable within the period identified in subdivision (a) of Section 367, an electrical corporation that, as of December 20, 1995, served more than four million customers, and was also a gas corporation that served less than four thousand customers, shall have the flexibility to employ risk management tools, such as forward hedges, to manage the market price volatility associated with unexpected fluctuations in natural gas prices, and the out-of-pocket costs of acquiring the risk management tools shall be considered reasonable and collectible within the transition freeze period. This subdivision applies only to the transaction costs associated with the risk management tools and shall not include any losses from changes in market prices.

~~(d) In order to ensure implementation of the cost recovery plan, the limitation on the maximum amount of cost recovery for nuclear facilities that may be collected in any year adopted by the commission in Decision 96-01-011 and Decision 96-04-059 shall be eliminated to allow the maximum opportunity to collect the nuclear costs within the transition cap period.~~

~~(e)~~ As to an electrical corporation that is also a gas corporation serving more than four million California customers, so long as any cost recovery plan adopted in accordance with this section satisfies subdivision (a), it shall also provide for annual increases in base revenues, effective January 1, 1997, and January 1, 1998, equal to the inflation rate for the prior year plus two percentage points, as measured by the consumer price index. The increase shall do both of the following:

(1) Remain in effect pending the next general rate case review, which shall be filed not later than December 31, 1997, for rates that would become effective in January 1999. For purposes of any commission-approved performance-based ratemaking mechanism or general rate case review, the increases in base revenue authorized by this subdivision shall create no presumption that the level of base revenue reflecting those increases constitute the appropriate starting point for subsequent revenues.

(2) Be used by the utility for the purposes of enhancing its transmission and distribution system safety and reliability, including, but not limited to, vegetation management and emergency response. To the extent the revenues are not expended for system safety and reliability, they shall be credited against subsequent safety and reliability base revenue requirements. Any excess revenues carried over shall not be used to pay any monetary sanctions imposed by the commission.

~~(f)~~

(e) The cost recovery plan shall provide the electrical corporation with the flexibility to manage the renegotiation, buy-out, or buy-down of the electrical corporation's power purchase obligations, consistent with review by the commission to assure that the terms provide net benefits to ratepayers and are otherwise reasonable in protecting the interests of both ratepayers and shareholders.

~~(g) An example of a plan authorized by this section is the document entitled "Restructuring Rate Settlement" transmitted to the commission by Pacific Gas and Electric Company on~~

~~June 12, 1996.~~

SEC. 14. Initiative Integrity.

(a) This act shall be broadly construed and applied in order to fully promote its underlying purposes, and to be consistent with the United States Constitution and the California Constitution. If any provision of this act conflicts directly or indirectly with any other provision of law, including but not limited to the cost recovery mechanism provided for by Sections 367 through 376 of the Public Utilities Code, or any other statute previously enacted by the Legislature, it is the intent of the voters that those other provisions shall be null and void to the extent that they are inconsistent with this act, and are hereby repealed.

(b) No provision of this act may be amended by the Legislature except (1) to further the purpose of that provision, by a statute passed in each house by rollcall vote entered in the journal, two thirds of the membership concurring, or (2) by a statute that becomes effective only when approved by the electorate. No amendment by the Legislature may be deemed to further the purposes of this act unless it furthers the purpose of the specific provision of this act that is being amended. In any judicial action with respect to any legislative amendment, the court shall exercise its independent judgment as to whether or not the amendment satisfies the requirements of this subdivision.

(c) If any provision of this act or the application thereof to any person or circumstances is held invalid, that invalidity shall not affect other provisions or applications of the act that can be given effect in the absence of the invalid provision or application. To this end, the provisions of this act are severable.

(d) It is the will of the People that any legal challenges to the validity of any provision of this act be acted upon by the courts on an expedited basis.

Proposition 9 | Proposition 9 | Analysis |



National Conference of State Legislatures

State Legislative Elections--1998

Initiatives and Referenda

Massachusetts Initiatives and Referenda

Question 4 Referendum on Ch. 164, Laws of 1997 – Deregulation of electric industry

Type: Popular Referendum

Status: Pass

Summary: This is a referendum on a law passed in 1997. A "yes" vote would continue the new law, and a "no" vote would undo the new law. The law changes the state's electric utility industry. Starting in March 1998, instead of buying power from the utility that owns the power lines, customers may choose to buy power from separate generating companies competing with each other to sell power to be delivered by the existing utility. Customers not choosing a new competing generating company will be provided power by their existing utility under a transition rate for 7 years, starting from a rate 10% less than 1997 rates. By September 1999, rates for such customers must be further reduced from 1997 rates (adjusted for inflation) by 5%. Subject to restrictions of the law, rates paid by such customers may be adjusted up or down if approved by the new state Department of Telecommunications and Energy.

The Official
Massachusetts

1998

Questions



**A Message from the
Secretary of the Commonwealth**

Offices on the 1998 Ballot

The 1998 Ballot Questions:

Question 1:
Setting Compensation
of State Legislators

Question 2:
Public Campaign Financing

Question 3:
Tax Rate on Interest
and Dividend Income

Question 4:
Electric Utility Industry
Restructuring
-WHAT YOUR VOTE WILL DO
-SUMMARY
-ARGUMENTS
-FULL TEXT

Contact Information for Ballot
Questions...

Checklist for Election Day



QUESTION 4: REFERENDUM ON AN EXISTING LAW

***Electric Utility Industry
Restructuring***

Do you approve of a law summarized below, which was approved by the House of Representatives on November 19, 1997 by a vote of 124 to 30, approved by the Senate on November 19, 1997 by a vote of 22 to 8?

WHAT YOUR VOTE WILL DO

A YES VOTE would continue the new law changing the electric utility industry.

A NO VOTE would undo these changes in the electric utility industry.

SUMMARY

As required by law, summaries are written by the state Attorney General, and the statements describing the effect of a "yes" or "no" vote are written jointly by the State Attorney General and the Secretary of the Commonwealth.

The law changes the state's electric utility industry. Starting in March 1998, instead of buying power from the utility that owns the power lines, customers may choose to buy power from separate generating companies competing with each other to sell power to be delivered by the existing utility. Customers not choosing a new competing generating company will be provided power by their existing utility under a transition rate for 7 years, starting from a rate 10% less than 1997 rates. By September 1999, rates for such customers must be further reduced from 1997 rates (adjusted for inflation) by 5%. Subject to restrictions in the law, rates paid by such customers may be adjusted up or down if approved by the new state Department of Telecommunications and Energy (DTE). The law lets a utility recover, from customers, previously incurred costs related to generating plants and contracts that have become uneconomical under competition. Utilities must first reduce such "transition costs" in all reasonable ways, which may include selling non-nuclear generating plants. DTE must approve such sales and the utility's way of financing transition costs, and DTE may limit which costs may be charged to customers. Public agencies may arrange the sale of special bonds to help a utility finance transition costs to provide savings to customers. Utilities claiming they cannot offer the required rate reductions must work with DTE to find all possible ways to do so. State tax revenues related to sales of power plants may

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updated 10/8/98

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 Commonwealth Home Page

be used, if found necessary by DTE and subject to legislative appropriation, to ensure that utilities provide the 15% rate reduction. Utilities must maintain discounts for low-income customers.

DTE must issue consumer protection and related regulations related to energy sales, and the law lets the state Attorney General enforce consumer protection laws and regulations against energy companies. To maintain reliability, DTE must set performance-based rates and service quality standards for electric and gas utilities. Utilities failing to meet the standards may be fined up to 2% of their annual revenues.

Such utilities will not be allowed to cut staff levels unless either the relevant unions agree or DTE finds that the cuts will not lead to sub-standard service. Utility employees who are laid off due to the law will, if eligible for unemployment benefits, also be eligible for reemployment assistance benefits.

If a generating plant loses value due to the law, the responsible company must pay the affected city or town until 2009 to offset lost property tax revenue. Cities and towns may set up power purchasing cooperatives for local customers. Businesses and other organizations may also set up cooperatives. A municipal lighting plant that chooses to sell power outside its own service area must compete with other generating companies within its service area.

The law requires electric utilities to continue energy efficiency and demand management programs until 2003 and directs DTE to ensure that such programs are cost effective. The law imposes a charge on electricity consumers to promote renewable energy projects and to help cities and towns pay to add pollution control equipment to existing trash-to-energy plants. By 2003, power suppliers must provide an annually increasing percentage of power from new renewable sources, and fossil-fuel power plants must start to meet efficiency standards limiting pollution. The law ends the requirement that the state find a need for a proposed power plant but preserves environmental reviews.

The law changes the state Department of Public Utilities to the new DTE, controlled by a 5-member commission with expertise on specified issues. The law gives the state Division of Energy Resources new duties related to energy restructuring, such as educating consumers and helping cities and towns.

ARGUMENTS

*As provided by law, the 150-word arguments are written by proponents and opponents of each question, and reflect their opinions. **The Commonwealth of Massachusetts does not endorse these arguments, and does not certify the truth or accuracy of any statement made in these arguments.** The names of the individuals and organizations who wrote each argument, and any written comments by others about each argument, are on file in the Office of the Secretary of the Commonwealth.*

IN FAVOR: A YES vote is strongly supported by Massachusetts consumer advocates, large and small employers, labor and environmental groups. That's because

this law:

- gives consumers a guaranteed 15% rate cut;
- breaks up the utility monopoly and creates competition that will lead to even lower rates;
- lets consumers choose their electricity supplier;
- encourages new, cleaner energy sources, like natural gas and solar power, and continues conservation programs to reduce air pollution and prevent future power shortages;
- provides additional benefits for consumers on low and fixed incomes, such as senior citizens;
- will create thousands of new jobs by boosting our state's economy.

This law has been in place for nearly a year and has already reduced our electric rates. If it's repealed, consumers would lose the law's guaranteed rate reductions and end up paying more -- not less -- for "stranded costs." Vote YES for lower electric rates, competition, consumer choice, and cleaner air.

AGAINST: You decide!

Do you favor paying \$3000 to bailout your electric company?

If you answer no, VOTE NO.

Utilities spent \$2 million lobbying for this law. But

-Ralph Nader called it "one of the biggest consumer ripoffs in Massachusetts history."

-Barbara Anderson and Jim Braude denounced it.

This law:

- Forces average families to pay \$3000 for mismanagement and white elephant nuclear plants.
 - Scams customers with fraudulent rate cuts. Utilities admitted to the *Wall Street Journal*: cuts are really loans customers will be forced to repay with interest.
 - Kills competition by subsidizing existing utilities.
 - Endangers family health and safety by
 - keeping open dangerous nuclear plants and dirty coal/oil fired plants
 - eliminating local protections against unneeded plant construction
 - discouraging development of clean, safe alternative energy.
- VOTE NO and tell Beacon Hill: pass a new law with real rate cuts, consumer choice, family health protections, and no bailout.

FULL TEXT OF THIS BALLOT QUESTION

NOTE: There is no Majority Report or Minority Report for this question.

HOME

HELP

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REFERENDUMS

Ballot questions prevail with solid 'yes' votes

By Jennifer Babson, Globe Correspondent, 11/04/98

With their approval yesterday of four statewide ballot questions, Massachusetts voters overwhelmingly backed the creation of a system of public financing for state political candidates and said they agree with the recent deregulation of the state's utility industry.

Also approved by a sizable majority of voters were:

Question 1, a constitutional amendment that ties the salaries of state legislators to changes in the median household income in Massachusetts. It also prohibits legislators from otherwise raising their own pay.

Question 3, which in 2000 will alter the state income tax rate on interest and dividend income, which was 12 percent as of September 1997, to the rate that applies to Part B taxable income (such as wages and salaries), which was 5.95 percent as of September 1997.

At the Harp pub near North Station, supporters cheered as early returns indicated Massachusetts would approve Question 2 and soon offer candidates for state offices the opportunity to take advantage of a system of public financing.

"We are elated; we exceeded our expectations. Voters are really giving us a mandate to go to the Legislature and implement their will," said David Donnelly, campaign manager for Mass Voters for Clean Elections, a group that lobbied for adoption of the new law.

Under Question 2, candidates for state office who agreed to campaign spending limits and \$100 contribution limits would be eligible to receive public funds for their campaigns beginning in 2002. The new law would also limit the use of soft money - transfers of money from national political parties to state political parties - and would require active candidates for state office to file campaign finance reports electronically.

"I think it will have a dramatic impact, I think the system is attractive enough for candidates to want to enter into it," Donnelly said.

Two other New England states, Maine and Vermont, have enacted public financing measures like Question 2, which is considered one of the strongest voluntary public financing measures in the country. And

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the strongest voluntary public financing measures in the country. And voters in Arizona yesterday were weighing, too, whether to approve a similar public financing measure.

One potential dilemma: if enacted, the Legislature must provide money to adequately fund Question 2, which supporters estimate would cost about \$14 million annually. While House Speaker Thomas M. Finneran has said in the past that he opposed Question 2, backers say he recently promised to cooperate if the proposal was approved at the ballot box.

Question 4 was a referendum on an existing law that went into effect last March and initiated price competition in electric rates, which virtually guarantees an eventual 15 percent reduction in rates for most residential customers.

The David and Goliath battle over the state's recent deregulation of the utility industry pit a \$6.6 million giant against a \$250,000 grassroots campaign that never seemed to take off.

The Yes On 4 Coalition, which derived more than 90 percent of its funding from utility-related companies, blanketed the airwaves with feel-good testimonials in favor of the new law.

"They [voters] are sending a message that they like utility deregulation, they like the savings they are getting," said Stephen Allen, spokesman for the Yes On 4 Coalition, which campaigned against efforts to roll back utility deregulation.

But those fighting to repeal the law insisted that they would press the issue again, either in court or with another ballot initiative in two years.

"We got outspent, we knew - win or lose - that we are either going back to the Legislature or to the voters in two years," said John O'Connor, chairman of the Campaign for Fair Electric Rates. "We are not going to let a misleading advertising campaign that they did deter us."

On Cape Cod, where turnout was exceptionally high, voters backed a measure - Question 5 - that will create and finance a land bank to preserve undeveloped space on the Cape.

It was the second time this year voters were asked to decide how to fund a land bank there.

In an unusual coalition, environmentalists and the real estate community threw their support behind Question 5, which would levy a 3 percent surcharge on property tax bills to pay for the creation of the "Cape Cod Open Space Land Acquisition Program" in Barnstable County.

"What is particularly rewarding this time is that in the aftermath of a disappointing defeat in January, we could come together and craft something that people felt to be reasonable and fair," said Isaac Rosen, spokesman for the People United for a Cape Cod Land Bank.

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Utilities, businesses fighting hard against dereg repeal

By Martin Flinucane, Associated Press, 09/30/98 21:50

BOSTON (AP) - The state's utilities are fighting tooth and nail to preserve the new electric deregulation law that went into effect in March.

More than \$3.6 million has been contributed to a campaign in support of the electric deregulation law, with Boston Edison and Massachusetts Electric each contributing about \$1.3 million.

"We're doing it because the law is already in place and because of the benefits to our consumers," said Boston Edison spokesman Mike Monahan.

Activists battling the electric deregulation law, which went into effect earlier this year, claim the law was too kind to the utilities and didn't win enough savings for consumers.

The activists filed a sufficient number of signatures to get Question 4 on the ballot in the Nov. 3 election, which will allow people to vote "Yes" or "No" on the law.

The activists appear likely to be far outspent by the opposing forces, according to filings at the state Office of Campaign and Political Finance.

From March to September, the Campaign for Fair Electric Rates spent about \$125,000 and it ended the period with about \$30,000 on hand.

"We absolutely think that this missed an opportunity to provide more savings and better choices for consumers," said Rob Sargent, a spokesman for the Massachusetts Public Interest Research Group, one of the groups opposing the law.

"I think the same special interests that rammed this thing through the Legislature are going to dominate the airwaves trying to convince people this utility-sponsored deregulation law is a good deal for consumers," he said.

But Monahan pointed out that under the deregulation law, people are guaranteed at least a 15 percent savings on their electric bills by September 1999.

Monahan also said Boston Edison, for example, has sold its power plants to a generating company that is committing more than \$1 billion to the state's economy through the

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more than \$1 billion to the state's economy through the construction of new high-tech, environmentally safer power plants.

"With the savings and the infusion of these billions of dollars into the Massachusetts economy, we just don't see this thing being stopped. It's worth the investment," he said.

By mid-September, the utilities and other businesses fighting to protect the deregulation law had spent about \$2.3 million and had about \$1.3 million left in the bank.

Ads bought by the campaign are becoming familiar features on the airwaves. They include low-key appeals from an MIT professor and an environmental attorney for people to vote "Yes" on the law.

The electric deregulation law was designed to usher the electric industry out of the era of regulated monopoly and allow companies to compete to sell power.

Ultimately, power providers are expected to compete for customers much as long-distance providers now compete for people's business. The theory is that competition will drive down electric prices.

A guaranteed savings of 15 percent was included for those who might be leery of jumping into the marketplace.

The Campaign for Fair Electric Rates was spearheaded by environmental activist and businessman John O'Connor, but O'Connor was sidetracked this fall when he tossed his hat into the Democratic race for the 8th Congressional District, which was won by Somerville Mayor Michael Capuano.

Other major contributors included: Western Mass. Electric, \$119,000; Com/Energy, \$159,000; Eastern Utilities, \$369,600; and U.S. Generating, a power generation company, \$175,000.

Sargent said: "We're being given two choices right now: the utility-dominated monopoly or the utility-sponsored deregulation law. We think there's a better way."

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Alaska Public Utilities Commission

In the Matter of the Consideration of a Power Pool Study of the Regulated Electric Utilities Along the Railbelt)
)
) U-97-140
)

Power Pooling / Central Dispatch Planning Study Final Report

October 1998

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Executive Summary

This report analyzes the potential benefits of a power pool with central dispatch among the Railbelt Utilities in Alaska pursuant to the Alaska Public Utilities Commission Docket U-97-140. The Power Pooling Study outlines the current operation of the system, benchmarks 1996 operation, provides expansion plans for a 20 year period, and determines the potential benefits and costs of pooled operation. The three expansion cases evaluated are 1) the Individual Case, 2) the Pooled Case, and 3) the Joint Case. The individual case assumes that the status quo is maintained. The pooled case assumes that each utility meets its own capacity requirements, but that all the utilities are centrally dispatched. The joint case assumes the utilities jointly meet capacity requirements and jointly dispatch as if they are one utility.

The existing system is a mixture of municipal utilities and cooperatives. The total, installed thermal generation in the system during the winter is 1,085 MW. Most units in the system burn natural gas, although one utility owns coal and oil units.

The participating utilities provided peak, energy, and fuel forecasts. They also provided unit characteristics and planned unit additions, retirements, and upgrades. These inputs created the basis for the expansion plans modeled in Black & Veatch International's (BVI) POWRPRO, POWROPT, and Multi-Area POWRPRO models. Based on total cumulative present worth costs (CPWC) over the 20 year planning horizon, the least-cost expansion plans for the three cases were determined.

The projected cumulative present worth production and capital costs for each scenario are as follows:

Table ES-1 Summary of CPWC and Savings (Production and Capital)			
Case	Total	Savings from Individual Case	
	(\$ 1,000)	(\$ 1,000)	(%)
Joint	1,384,969	48,103	3.36
Pooled	1,403,095	29,977	2.09
Individual	1,433,072	--	--

In comparison with the individual case, the pooled case, which has the same expansion plans with the same capital additions, is cheaper to operate due to better economic dispatch. The joint case has an even lower CPWC due to joint planning with respect to future capacity needs.

The implementation of a power pool will have costs for necessary equipment and staffing. The study provides rough estimates of these costs for two scenarios. The first is that the pooled dispatch is conducted by one of the existing Railbelt Utilities. The second is that an independent system operator would be used. The estimated cumulative present worth costs for these two scenarios are as follows:

- Railbelt utility operator \$23.435 million
- Independent system operator \$57.841 million

The net savings from the two pooled scenarios are projected as follows:

Table ES-2 Estimated Net Savings				
Case	Railbelt Utility Operator		Independent System Operator	
	(\$ 1,000)	(%)	(\$ 1,000)	(%)
Joint Case	24,669	1.7	(9,738)	(0.7)
Pooled Case	6,542	0.5	(27,864)	(1.9)

The pooled and joint cases assume that there are no contractual limitations to the economic dispatch of all the units of the Railbelt Utilities. To achieve this assumption, existing power purchase and sales contracts would either have to be eliminated or renegotiated so that they would not constrain economic dispatch of the utilities. The same is true for existing fuel contracts that would constrain economic dispatch. Any costs associated with eliminating or modifying the existing contracts to achieve the dispatching modeled will reduce the savings for the joint or pooled cases.

These savings are based on projected production and new capital investment costs. Since production and new capital investment costs represent only a portion of the total costs for retail customers, their savings would be smaller.

Competition may spark electric industry needs

By MARY ANN PEASE

Just as consumers are given choices in every other industry, the electric industry should be open to market-based competition rather than a continuation of monopoly-based captive ratepayers.

A lack of price competition and consumer choices, limited innovations and a lackluster environmental record are some of the deleterious side effects of the current regulated, monopolistic electric system. Consumers and the industry stand to benefit in numerous ways once choice and free-market principles are substituted for the current system.

There have been numerous studies, and one recently published by Kenneth Costel-

COMPASS

lo and Robert Graniere, "The Deregulation Experience: Lessons for the Electric Power Industry," argues that the deregulation of industries in general has been beneficial:

"The more scholarly studies have shown that deregulation has generally been a success story. Consumers have benefited greatly and the overall efficiency of the deregulated industries has improved greatly as well. Firms in these industries have reduced their costs, lowered their prices, introduced new services and reconfigured old services to

better accommodate consumer preferences and deployed new technologies and practices."

Consumers have benefited from deregulatory initiatives in aviation, natural gas, transportation and telecommunication, the deregulation or restructuring of the electric marketplace promises similar benefits. These benefits will be realized in the form of:

- Increased competition.
- Lower prices.
- Lower operating costs for businesses with pass-through benefits to customers.
- Technological improvements and cost-saving initiatives.

Competition not only leads companies to be more re-

sponsive to consumer demands, to closely monitor expenditures and compete on the basis of price, it provides an incentive to be creative and innovative to get a step up on competitors. Even though opponents of customer choice argue that only the large corporate users of electricity want reform, in reality it is the small business that stands to benefit to the greatest extent.

It is quite fortunate that many states have taken the initiative to provide for customer choice already. We have the benefit of viewing pilot programs from these states, learning from shared experiences and implementing and improving in an expeditious manner a transition to competition in the electric

industry. Currently, Aurora Power has an application pending before the Alaska Public Utilities Commission that requests the Chugach Electric and Municipal Light & Power service territories be opened up to a limited scope and limited time frame of two years for a pilot program for the provision of electric service.

This pilot program has been supported by Chugach Electric but strongly opposed by ML&P. Opponents continue to argue that there needs to be a very comprehensive and lengthy study, followed by a whole sequential barrage of first steps, prior to allowing a limited test program in the Anchorage area. The study aspect of this process is very important and no one

would argue with the relevance of conducting a study, although the study could very easily be accompanied by a pilot program that would provide actual data unique to Alaska, rather than a hypothetical discussion.

The Legislature as well as the Public Utilities Commission needs to hear some feedback from consumers on the issue of customer choice in the electric industry.

Please contact your legislator, the Joint Legislative Committee on Electrical Restructuring or the Alaska Public Utilities Commission and voice your opinion on customer choice today.

□ Mary Ann Pease is the vice president of Aurora Power.

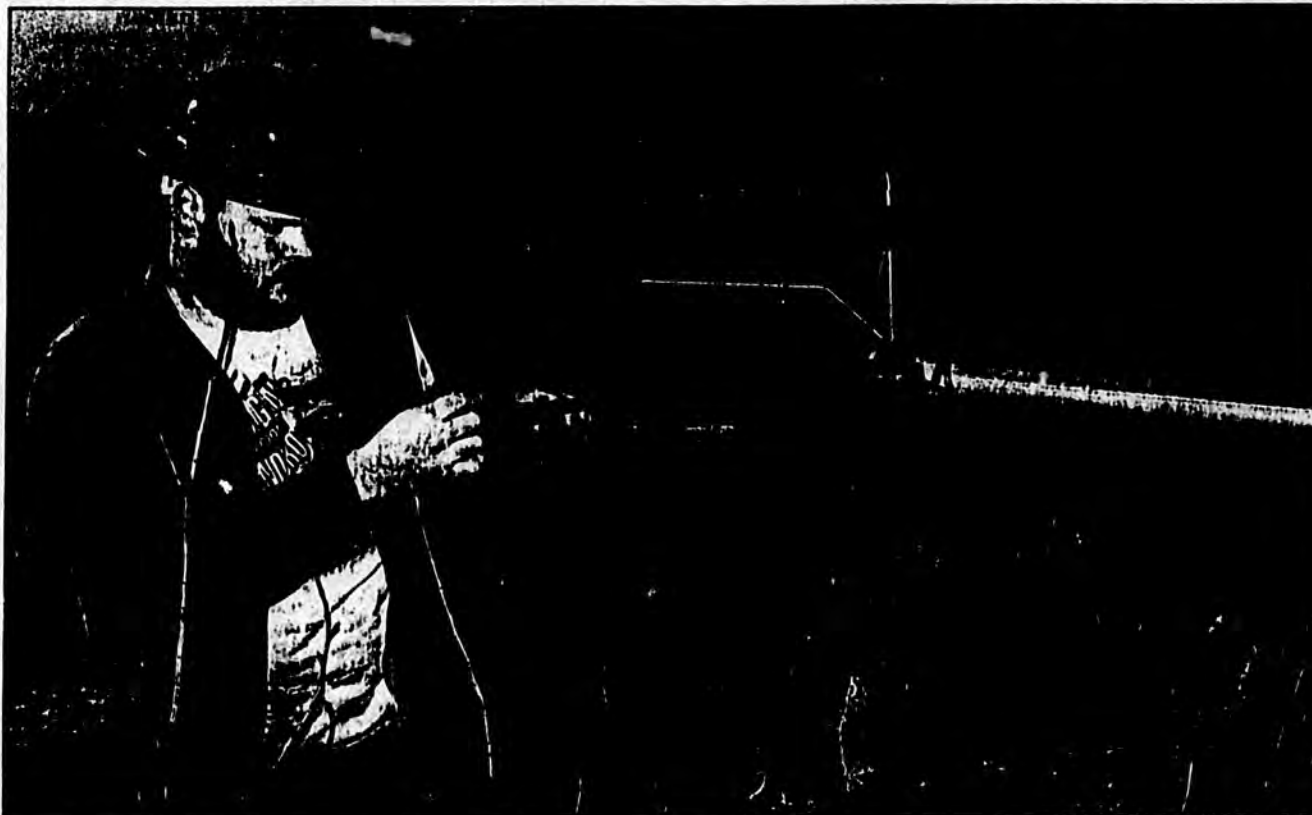
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Chugach lowers rates

Electric utility rates will decrease for Chugach Electric Association customers, according to the cooperative. Chugach lowered its fuel surcharge 0.409 cents per kilowatt-hour, which amounts to about a 4 percent decrease for the average residential customer using 750 kilowatt-hours a month, according to Chugach. Chugach also lowered its fuel surcharge for power provided to Homer and Matanuska Electric associations.

Nose to the wind

APN
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Photos by JIM LAVRAKAS / Anchorage Daily News

Jeff Baker, an independent contractor from Oregon, attaches weather instruments Friday to the top end of a 132-foot tower to be used by Chugach

Electric Association. The association is looking into the possibility of setting up wind generators in the Anchorage area.

Utility looks to gain hold on new energy source

By NATALIE PHILLIPS
Daily News reporter

He's been called a wind wizard, a wind prospector, even a Merlin.

His tools include a compass, a strip of ribbon and a kite.

Like water witches with their dowsers and gold prospectors with their pans, John Wade's work is equal parts magic, art, science and intuition.

He scours mountain sides and valleys with a nose to the air in search of the perfect breeze. And that quest has brought him to Alaska.

Chugach Electric Association hired Wade — one of only 10 wind-energy prospectors worldwide — to search Soldotna to Talkeetna for a



John Wade, a "wind wizard," has roamed Soldotna to Talkeetna, searching for wind-generator test sites.

couple of wind-generator test sites. "We're just investigating the possibility of wind energy," said Steve Gilbert, the utility's engineer in charge of renewable energy investigations. "The very earliest before we would put up turbos would be the

year 2000."

Over the past year, the utility conducted two telephone surveys and found that a larger-than-expected number of customers were interested in clean, wind-generated power, even though it would cost more than electricity currently produced with natural gas. So the utility decided to spend \$40,000 on a test project to determine if offering wind-generated energy to its customers is feasible.

After weeks of studying vegetation and soils, walking mountain ridges, and 11 hours of flying, the wind wizard identified 11 sites that show promise. Those were narrowed down to two: a knoll north of Anchorage near the abandoned Nike

missile site on Arctic Valley Road and south of Anchorage on an Alaska Railroad parcel off Portage Glacier Road.

Temporary, 132-foot poles, anchored with multiple guy wires and topped with test instruments, were raised at the two sites on Friday and Saturday. For the next year, the instruments will collect wind speed and wind direction information, barometric pressure data and temperatures. The information will be relayed from the pole sites to a computer at Chugach Electric headquarters by a built-in cellular phone. At the end of the test period, the data will be used in an economic analysis

Please see Page C-3, WIND

Lawsuit litigation changes

returned and directed to an inner circle of special shareholders," Triem said. Because the property of all is given to just a few, he said the bill is unconstitutional. Triem said he and other lawyers are likely to challenge it in court, creating more litigation instead of less.

Alaska Rep. Don Young sponsored the bill, which also deals with land exchanges for Native corporations. It passed the U.S. House of Representatives last month and was approved by the Senate on Wednesday.

Educator, kids fashion catalog

to fill in for a pregnant teacher for three months. A full-time job opened up the next year, and she taught special education students in junior high and high school for six years. For the past three years, she's taught regular classes in fourth or fifth grade.

She splits her life now between Hoonah and Sitka, where her husband teaches at Sheldon Jackson College. Her children are grown.

WIND: Project aims to corral new energy source

Continued from Page C-1

to determine if wind turbine generators make sense for Chugach customers.

Everyone knows that Anchorage, especially south Anchorage, has its share of wind, but the kind of wind most common in the city — occasional, powerful gusts — won't run an effective wind farm.

Any time winds gust to above 50 mph, wind generators automatically shut down. Their blades, which look something like an airplane propeller atop a tall pole, feather and stop spinning, which keeps the machinery from wearing out.

The way the wind generators are built, a steady, 30 mph wind is optimal. However, most wind farms run on consistent 17 mph winds, Wade said.

Wind generators are slowly catching on around the world, said Wade, whose business, Wind Energy Service, is located in Corvallis, Oregon. He admits his work is "kind of a strange skill." He got started in the late 1970s, when California's then-Gov. Jerry Brown committed that a portion of the state's power come from wind.

Ten years ago, the United States produced about 95 percent of the world's wind-generated energy. In the last few years, Germany has leaped

Any time winds gust to above 50 mph, wind generators automatically shut down. Their blades, which look something like an airplane propeller atop a tall pole, feather and stop spinning, which keeps the machinery from wearing out.

ahead. And now Denmark, Spain, India, China and other countries are actively exploring the energy alternative. In the United States, most wind generators are found in California, Oregon, Washington and Wyoming. One of the largest wind farms in the world was recently constructed in Minnesota.

In Alaska, the city of Kotzebue installed three small wind generators last year, Gilbert said.

There are some drawbacks to wind generators, Gilbert said.

First, a lot of people don't want to look at the 120- to 200-foot high wind generators, and their three 60- to 100-foot-long blades. Second, some people worry that the generators will interfere with migrating birds. And third, some opponents of

wind generators complain about the noise. Gilbert said that the wind generators that rotate slowly are not as noisy.

Should the year of testing prove that the right winds are available, then Chugach Electric would look at pricing and set up what it calls a "green pricing" program. That is, the wind-generated electricity would be priced to be self-sufficient. The wind generators that the utility is looking at cost about \$600,000 each. Rates paid by customers who do not opt to participate would not be affected.

Individual customers who wanted to support the alternative energy source could

elect to buy part or all of their electricity from the wind generators, rather than the electricity that is produced with natural gas at one of Chugach's four power plants. Gilbert said the wind-generated electricity would cost about \$2 more per 100 kilowatt hour than the electricity generated by natural gas.

For example, if a house uses the average 750 kilowatts a month, the bill is about \$75. If that electricity is bought from the wind generators, the same amount of electricity would cost about \$90.

□ Reporter Natalie Phillips can be reached at nphillips@adn.com

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ANCHORAGE DAILY NEWS

SECTION F

MEA makes bid for Chugach

Electric cooperative seeks to cut rates by buying its supplier

By BEN SPIESS
Daily News reporter

Matanuska Electric Association on Monday offered to buy out its electricity supplier and competitor in the Anchorage area, Chugach Electric Association.

By refinancing Chugach's loans, MEA believes it could save the cooperatives' members \$100 million over the next 25 years, said Wayne Carmony, MEA general manager. MEA also proposes splitting Chugach

Electric into two businesses — one that produces and sells electricity wholesale and a second that delivers electricity to homes and business.

"This will be of mutual benefit to both cooperatives," MEA spokesman Bruce Scott said.

MEA is offering to buy Chugach for the value of the utility's assets, which carried a book value of \$486 million at the start of this year, Scott said.

The utilities have had an inter-

twined but thorny relationship for years. Chugach sells MEA all of the power used by the Palmer utility. Each company has said the other is poorly managed. They have sued each other. And four years ago Chugach made a bid to buy MEA, a proposal MEA members rejected.

"We've had a rocky past, but we're looking for fertile new ground," Scott said.

MEA directors surprised the Chugach board with their offer at

a joint meeting Monday in the Sheraton Anchorage Hotel. The meeting continued into Monday evening with issues of rates, staffing and financing still under discussion.

"There's an awful lot of questions still to be answered. But when I left the meeting, there was a lot of interest," Scott said.

The offer took Chugach Electric by surprise.

Please see Page F-4, MEA

F-4 Tuesday, October 13, 1998

MEA: Electric co-op makes bid to buy its supplier

Continued from Page F-1

Chugach general manager Gene Bjornstad said he first learned about the offer in the meeting Monday afternoon.

"Chugach has got a good organization, good work force and a good board. We have to look closer at the proposal and make comments later on," he said.

Under the proposed deal, MEA would acquire all of Chugach's assets — worth about \$486 million — and take over all Chugach debt. Chugach Electric is paying a 9 percent interest on \$346 million in bonds and debt, Scott said.

"We can take advantage of

"This is in the interest of everyone. Both boards have an interest in lower rates for our customers."

— Bruce Scott, MEA spokesman

the interest rate climate and save a lot of money," he said, adding that the debt could be refinanced somewhere between 6 percent and 7 percent. "They can refinance themselves. We don't know why they haven't done so."

The savings from the refinancing could translate into a rate cut, Scott said. However, the board will decide how to use the savings.

MEA said it has financing to buy Chugach. One lender would be the National Rural Utilities Cooperative Finance Corp., Scott said.

The deal depends on approval by Chugach members. Scott said MEA wants to put the vote to its members by April.

Chugach is the largest electric company in Alaska, serving about 68,000 cus-

tomers from Anchorage to Moose Pass on the Kenai Peninsula. Chugach also sells power to Homer Electric Association and the city of Seward. MEA is Chugach's biggest buyer, with about 30,000 customers in the Mat-Su area. Unlike Chugach, MEA produces no power. MEA is also much smaller than Chugach, with \$138 million in assets.

"This is in the interest of everyone," Scott said. "Both boards have an interest in lower rates for our customers."

Reporter Ben Spiess can be reached at bspiess@adn.com.

ME A: Management key to utility deal

SEN SPIESS
News reporter

Matanuska Electric Association poses to take control of the state's largest power company without cash or other compensation, under the deal offered to the directors of the Chugach Electric Association Monday. MEA officials said Tuesday that Anchorage-based Chugach's 55,000 members would benefit under the

deal by having their electric company better managed, producing a savings they estimate at up to \$250 million over the next 25 years.

Those savings would be achieved by refinancing most of Chugach's \$347 million in debt to obtain lower interest rates and by taking advantage of a better economy of scale, MEA management said.

"That's really our payment," said Barbara "Tammie" Miller, president

of the MEA board. Miller also pledged that rates would not increase for at least three years. The deal also would include expanding the MEA board to 13 members and giving the current Chugach board six of those seats.

"It's a win-win for every consumer in the area," Miller said.

MEA officials said Tuesday that a

Please see Page F-4, MEA

ME A: Key is management

Continued from Page F-1

spokesman was incorrect when he said Monday that MEA would pay about \$486 million for Chugach.

Chugach produces and sells power to much of Anchorage as well as to South-central Alaska utilities such as MEA.

The bid from its biggest customer to take over Chugach surprised officials of the Anchorage power company.

Chugach board members are withholding judgment on the deal.

"What they gave us is a bunch of numbers and spreadsheets. We don't know exactly what the deal is yet," said Gene Bjornstad, Chugach general manager.

MEA board members told the Chugach directors that they wanted to know by Monday if Chugach is interested in discussing the deal further. However, the Chugach board is headed to a three-day retreat in Girdwood. Selling their company is not on the agenda, he said.

"I don't see how we're going to get back to them by Monday," Bjornstad said.

"As far as the refinancing goes, we're watching interest rates just like they are," he said.

Both companies are in the midst of negotiations with their union, the International Brotherhood of Electrical Workers Local 1547. Most workers in both companies belong to the IBEW. MEA general manager Wayne Carmony said the timing of the offer with the ongoing negotiations is "coincidental."

IBEW officials did not return phone calls Tuesday about the proposed merger.

One area where Carmony said MEA sees opportunity for efficiency is in merging the work forces of the two companies.

"There would probably be some duplication, probably be some adjustment at the top levels of the organization," Carmony said. "I see no wholesale problems with staffing numbers."

MEA hopes Chugach Electric will bring a vote on the merger before their members in April. The Chugach directors are holding their next public meeting Oct. 21.

A merger of the two companies would need to be approved by the Alaska Public Utilities Commission.

STATE NEWS

ADN
20 Oct 1998
PB-3

MEA bid holds payments

Matanuska Electric Association's proposal to buy Chugach Electric Association includes a \$500 check for each member of the two cooperatives, if and when the deal is finalized, MEA said Monday. That's \$42.5 million paid to 55,000 CEA and 30,000 MEA members. The payment would be subject to regulatory approval and other conditions, but it would not affect capital credits balances — each member's share of net profits — and all of CEA's debts would be honored, MEA said. The boards of directors of the two member-owned cooperatives met on Oct. 12, and MEA proposed that its subsidiary, Chugach Electric Power Cooperative, purchase CEA's assets, which were worth \$486 million on Jan. 1. MEA said the acquisition would bring savings of at least \$100 million in refinancing interest payments over 25 years. An MEA official said that "if anything happens to prevent us from making the \$500 payments, we will be prepared with alternatives." One such alternative is a sharp drop in rates members pay, said MEA general manager Wayne D. Carmony. MEA said the \$500 would be paid only to those who are active members of MEA on the day the deal becomes final, who are active members of CEA or MEA on the day CEA members approve the sale, if they do, and who were active members of CEA or MEA on Oct. 12. More information on the proposal will be available soon at MEA offices in Eagle River and the Valley.

Chugach Electric mum on MEA's buyout offer

By BEN SPIESS
Daily News reporter

The Chugach Electric Association directors aired their feelings about a proposed buyout by neighboring Matanuska Electric Association behind closed doors on Wednesday evening.

"We plan to look at it very carefully, but since we haven't talked about it yet there is really nothing to say," said Pat Jasper, chairwoman of the Chugach board.

Palmer-based MEA offered to take over Chugach nine days ago. Originally MEA made no public offer of money for control of the

Anchorage-based cooperative. Instead it appealed to Chugach members and directors with a plan to save the company as much as \$250 million over the next 25 years by refinancing debt and taking advantage of economies of scale.

MEA said Monday that if the takeover happens, they would pay \$42.5 million to the members of both cooperatives -- about \$500 per member. MEA is not specific about how the payment will be made. The money could come as a check, in a rate cut or some other method. "We

still need to get this cleared by regulators," said MEA spokesman Bruce Scott.

Chugach had a net worth on its books of \$116 million as of June 30. With 55,000 members in Southcentral Alaska, Chugach is the largest electric cooperative in the state. The company both produces and distributes electricity. Chugach's largest customer for raw power is MEA. MEA has about 35,000 customers -- all in the Matanuska-Susitna area.

□ Reporter Ben Spiess can be reached at bspiess@adn.com.

ADN 27 Oct 1998
8:53 PM



CHUGACH ELECTRIC ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

FOR IMMEDIATE RELEASE FOR MORE INFORMATION, CONTACT
October 21, 1998

Eugene N. Bjornstad, General Manager
762-4708

CHUGACH BOARD BEGINS EVALUATION OF MEA PROPOSAL

During an executive session of its regularly scheduled meeting on October 21, 1998, the board of directors of Chugach Electric Association, Inc. discussed the unsolicited proposal of Matanuska Electric Association to acquire Chugach's assets. Following that session, Chugach board president Pat Jasper announced that the Chugach board is committed to a thorough examination of the MEA proposal and other opportunities available to Chugach and that Chugach is working with the investment banking firm of Goldman, Sachs & Co. and the consulting arm of Deloitte & Touche in that process.

Noting that the only information provided so far by MEA concerning its proposal was presented in a joint meeting with Chugach's board and General Manager last week and in statements by MEA reported in the public media during the past week, Mr. Jasper indicated that Chugach will invite MEA to submit additional information to clarify the terms of its proposal and will continue to consult with its own staff and outside advisers to determine what course of action will be in the best interests of Chugach's members.

Chugach's board intends to continue the process of considering the MEA proposal at an executive session on November 4. The board intends to complete this process on a timely basis, but in a manner consistent with its determination to perform the careful analysis required. When the board has reached its conclusion as to the most appropriate course of action for its members, it will make a further announcement.

Chugach also released the text of a letter that it is sending to MEA today.

Chugach is the largest electric utility in Alaska. Chugach serves retail consumers at more than 68,000 metered locations from Anchorage to the northern Kenai Peninsula, and from Whittier to Tyonek. Chugach provides power to residents from Homer to Fairbanks through wholesale and economy energy sales to other utilities throughout the Railbelt.



your energy company

Chugach Responds to MEA Proposal

October 21, 1998

Barbara J. Miller, President
Matanuska Electric Association, Inc.
P.O. Box 2929
Palmer, Alaska 99645

Dear Ms. Miller,

Enclosed for your information is a press release issued by Chugach this evening that describes the outcome of the board's initial discussions of MEA's unsolicited proposal to acquire the assets of Chugach. As indicated in our press release, the Chugach board is committed to a thorough examination of your proposal and other opportunities available to Chugach.

In order for the board and its advisers to analyze your proposal with the appropriate degree of thoroughness, we need additional information. Our senior staff, in consultation with our outside advisers, is in the process of putting together a preliminary list of that information and we intend to provide you that list by early next week.

We hope that MEA will give Chugach the requested information promptly in order to assist the board and its advisers. At last week's joint board meeting at which we heard of your proposal for the first time, MEA indicated that it is not willing to give Chugach's senior staff access to information in its possession relating to its proposal. The board has directed me to make clear to you that the board is unwilling to accept any limitation on the individuals with whom it chooses to consult and share this information. Such limitations are clearly inconsistent with the board's right and duty to consult with appropriate advisers. We hope that you will reconsider your position and decide to assist the board in analyzing your proposal. Our staff has significant expertise and information that we need to utilize in making our decision on your proposal. We find it perplexing that you consider some of the information relevant enough to display in overheard at our joint board meeting but at the same time want to withhold this information from our senior staff.

We also hope you will abandon your insistence that in order for us to have access to this information our consultants must personally visit your consultants in Georgia. Such a procedure involves an inordinate waste of time, effort and money on Chugach's part and would operate as a further limitation on the availability of the information to our staff and advisers.

We do not think it is constructive for you to attempt to impose the ground rules under which the Chugach board will discharge its responsibilities. We hope you will respond to our information request in the spirit of cooperation that the Chugach board displayed as it began to consider MEA's proposal tonight.

In order to expedite the efficient distribution of any further communications from MEA concerning its proposal, we ask that you direct them to Gene Bjornstad.

Let me reiterate on behalf of the entire board that we are serious about our examination of your proposal, but we expect our seriousness to be reciprocated.

Sincerely,

Pat Jasper
Patricia Jasper, President
Board of Directors

ADN 26 Oct 1998 PA-6

BUSINESS

ATURDAY, October 31, 1998

ANCHORAGE DAILY NEWS

SECTION F

THE MARKETPLACE

Markets in brief

OCT. 30, 1998

DOW (Industrials)

8,592.10
+97.07

NYSE

543.35
+7.04

S&P 500

1,098.67
+12.74

NASDAQ

1,771.39
+14.20

What the stock market did

	This week	Prev week	Year ago	Two years ago
Advances	2,311	2,314	744	1,512
Declines	1,094	1,119	2,582	1,431
Unchanged	253	236	243	461
Total issues	3,658	3,669	3,568	3,404
New yearly highs	111	111	134	357
New yearly lows	116	126	336	158

Weekly sales

	This week	This week a year ago
NY Stock	3,536,580,000	4,016,030,000
NY Bonds	\$72,428,000	95,157,000
American Stocks	143,580,000	193,598,000
American Bonds	\$4,020,000	12,301,000
Midwest Stocks	155,327,600	158,963,000

A weekly stock wrap-up begins on Page F-5.

Dow rally hits 15 percent

NEW YORK — Stocks rallied Friday to close another volatile October, giving the Dow its biggest one-month gain since 1987 and extending its rapid rebound to 15 percent. Returning to a level not seen in two months, the Dow Jones industrial average rose 97.07 to 8,592.10, extending a 123-point gain from Thursday. The Dow has now bounced more than 1,100 points, or about 15 percent, from the bottom of a steep sell-off that climaxed on Oct. 9.

Chugach mulls MEA bid

Utility co-ops view long-term impact of sale differently

By BEN SPIESS
Daily News reporter

Matanuska Electric Association is still waiting for word on its bid to buy Alaska's largest electric utility, Chugach Electric Association. Faced with a proposal to shift control of \$486 million in assets and 68,000 customers to a smaller electric utility, Chugach officials said they are deep into the details of the proposal.

"We're trying to figure out what they're offering us," said Gene Bjornstad, general manager at Anchorage-based Chugach.

Attempts at understanding the

proposal drop quickly into questions of complex financing: advanced bond refunding, refund premiums and net present value calculations.

If MEA's financial calculations are correct, the Palmer-based business can combine Chugach and MEA into one company, refinance the debt at low rates and ride new economies of scale to savings and stable power bills.

The meat of MEA's move is a proposal to refinance Chugach's long-term debt.

By taking about \$217 million in Chugach bonds, which are cost-

ing the utility 9 percent interest, and refinancing that debt with shorter-term bonds at under 7 percent, big savings should follow, said MEA financial officer Don Zoerb.

Zoerb said it's astounding that Chugach would be paying 9 percent interest in an era when it can borrow money at 7 percent.

Joe Griffith, Chugach's finance manager, said the equation is not nearly so simple. Any refinancing is complicated by restrictions on Chugach's bonds.

Both men agree that refinancing is technically possible and

that under the proposed refinancing scheme Chugach should save money — over the next 25 years.

Griffith noted that the big savings come at the end of the 25 years. But for most of the next 20 years, the deal would actually cost Chugach more money in annual debt payments.

Those higher costs now could mean higher home electricity rates for Chugach members until the savings kick in after two decades, he said.

With a move in Alaska toward

Please see Page F-2, CHUGACH

HDTV blasts off



GDP growth healthy

Global slump cuts exports

By DAVE SKIDMORE
The Associated Press

WASHINGTON — The American economy demonstrated surprising resilience in the face of the world financial slump, growing at a healthy 3.3 percent annual pace over the summer. But beneath the surface things

Miller trying plastic bottles

MILWAUKEE — Just when beer was becoming a bit more refined with the advent of specialty beers and microbreweries, Miller Brewing goes and introduces beer in plastic bottles. The Milwaukee-based brewer said Friday it plans to start selling suds in plastic bottles in several cities next week. Three Miller brands, Miller Lite, Miller Genuine Draft and Icehouse, will be available in 20-ounce and one-liter bottles in stores and stadiums in Los Angeles; Phoenix-Tucson; Norfolk, Va.; Miami; Dallas-Ft. Worth and San Antonio. The bottles feature a wide mouth and a resealable, screw-on cap. Miller hopes the new bottles will increase sales in places where beer is traditionally served in anonymous plastic cups, such as sports stadiums. The beer won't taste any different coming out of a plastic bottle, Rooney said. Adding beer to the line of beverages that come in plastic bottles is smart, said Mike Urseth, publisher of Midwest Beer Notes newsletter of Ridgeland, Wis. But plastic bottles could affect how people think about beer. "I think it'll take a lot of marketing dollars to convince people that plastic bottles are appropriate for beer," said Craig Bystrynski, editor of BrewPub Magazine.

Chrysler wins fight over recall

WASHINGTON — In a major victory for Chrysler Corp., a federal appellate court ruled Friday that the government improperly ordered the automaker to recall 91,000 1995-model Chrysler Cirrus and Dodge Stratus midsize sedans because their seat-belt anchors didn't meet federal standards. The ruling caps a three-year battle by Chrysler to prevent the recall. It slams federal safety officials who went to extraordinary lengths to force the recall when Chrysler refused government demands for it. While the court decision won't save Chrysler any money — the automaker already has recalled and fixed half the cars — it was a victory of principle for the Auburn Hills, Mich., company. Chrysler argued that a test used by the National Highway Traffic Safety Administration was unfair. At issue was not the safety of the seat-belt anchors, but the way NHTSA conducted a test on those anchors in 1995. When NHTSA tested the anchors, they failed. But Chrysler argued the anchors failed because NHTSA put a block — designed to represent the weight of a human — in a different location on the seat than the company expected. Chrysler says it will still replace the seat-belt anchors in the remaining vehicles if consumers take them in to dealers, even though the appeals court agreed the anchor system is not defective.

Drilling company attempting takeover

HOUSTON — Nabors Industries Inc., the largest U.S. land-drilling contractor, said Friday it's seeking to buy Pool Energy Services Co. for \$496.5 million in stock, cash and assumed debt, though Pool firmly rejected the idea of combining. Nabors said it is "determined" to acquire Pool and will sweeten its \$15.02-a-share offer if necessary. Nabors said its Oct. 12 bid, which values Pool at 13 percent more than its close Friday, was turned down Monday. The offer was first disclosed Friday. A decline in oilfield-service companies' stock

CHUGACH: Refinancing at heart of deal

Continued from Page F-1

opening the electricity market to competition, "I'm loath to raise rates," Griffith said.

Zoerb sees the future differently.

True, annual debt payments could be higher in some years, he said. But if the cooperatives merge, eliminating redundant staff, improving efficiency and taking advantage of economies of scale, the new cooperative can meet the increased payments without raising electricity rates.

"Our bankers and our consultants have looked at this. We're satisfied that existing rates are adequate to satisfy future cash-flow requirements," Zoerb said.

Other hurdles also remain in front of the deal.

MEA will not release its detailed analysis of the plan to Chugach employees in Alaska. It wants Chugach consultants from Deloitte & Touche and Goldman, Sachs & Co. to go to Marietta, Ga., the home offices of MEA's consultants, GDS Associates Inc. Zoerb said that he wants the proposal to be considered in an objective light by a third party.

Chugach also has questions about the structure of the board of directors for the newly-formed cooperative. Under the proposal, MEA would expand its board from seven to

"Our bankers and our consultants have looked at this. We're satisfied that existing rates are adequate to satisfy future cash-flow requirements."

— MEA financial officer Don Zoerb

13 members. Bjornstad said he is unsure where the six new members would come from and whether the interest of Chugach customers in Anchorage would be protected.

Bjornstad is skeptical about MEA's proposal to give every member of Chugach and MEA \$500 if the takeover deal goes forward.

The payment would come as a rate-cut, credit or possibly cash, said MEA spokesman Bruce Scott.

Bjornstad scoffed at the suggestion that money is payment for Chugach members.

"They're trying to buy votes," he said.

MEA has called for Chugach to put a vote on the proposed merger to its 55,000 members. Bjornstad said he and the board will wait on a vote until they have studied the proposal thoroughly.

"We're trying to take seriously everything they are saying," Bjornstad said.

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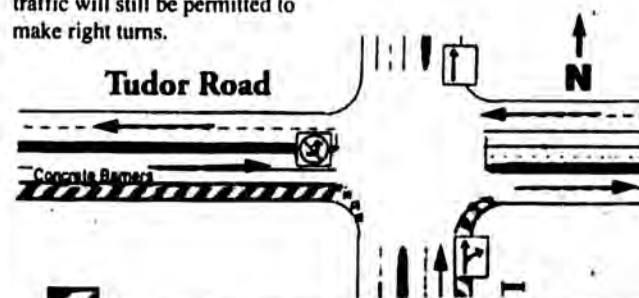


Nancy Reimer

Travel Advisory Intersection of Lake Otis & Tudor

From now until November 7, east-bound Tudor traffic will be reduced to two lanes, with no left turns permitted. The right turn-only lane of Lake Otis, north-bound, will be closed. However, traffic will still be permitted to make right turns.

Expect lane closures each direction on Lake Otis between the hours of 9 am to 4 pm. Please use Dowling & New Seward as a detour.



Yes!



Defense of Marriage

"OUR CO-OP WILL CUT A \$500 CHECK FOR EVERY MEMBER!"

—Joel Stefanski, MEA Clearing Foreman

"I'm an Ironjack competitor, and I've matched my chain saw and logging skills against the world's best lumberjacks. I use these same skills as a clearing foreman for MEA to keep power lines free and electricity flowing safely to our members.

"I'm a member, too, so I know what I'm talking about when

I say MEA is a well-run cooperative. The proof is in my pocket. I've cashed capital credits checks every year for as long as I can remember. And our household electric rates have dropped five times in just the last three years alone.

"Now we're extending a hand to our neighbors—the members and employees of Chugach Electric Association. MEA has an offer on the table to acquire CEA.

I encourage all of you to look closely at this deal. MEA is a great cooperative, a great place to work, and if we join together we would have the best utility anywhere.

"Our management sees savings so substantial that MEA will be able to cut a \$500 check for every qualified member* from the savings that will be achieved once the deal is closed.

"Think about it. That's power we all can put in our pockets."

P.O. Box 2929
Palmer, Alaska 99645
Palmer: 745-3231
Eagle River: 694-2161
Wasilla: 376-7237
Big Lake: 892-7398
Anchorage Toll Free:
1-800-478-5150
www.matanuska.com



**Matanuska
Electric Association**

THE POWER OF AN IDEA WHOSE TIME HAS COME

THE OFFER PRESENTED TO THE CEA BOARD OF DIRECTORS

MEA, through a wholly owned subsidiary, proposes to buy the assets of Chugach Electric Association, which at year-end 1997 totaled \$486 million. It also will honor all of CEA's outstanding debts and capital credits. MEA's subsidiary will provide wholesale power to MEA and others. It will transfer CEA's retail assets and liabilities to MEA, which then will become a larger, member-owned cooperative, distributing power to some 85,000 members.

OFFER INCLUDES \$42.5 MILLION PAYMENT TO ALL CO-OP MEMBERS

The offer includes a \$500 payment to each qualified active member of MEA and the active members of CEA who join MEA as members, subject to regulatory approval and other conditions.* This payment is made possible by the substantial savings that will be achieved by MEA's acquisition of CEA and totals \$42.5 million for an estimated 85,000 members.

\$100 MILLION IN SAVINGS COMES THROUGH REFINANCING CEA DEBT

Although interest rates have dropped dramatically in recent years, for some reason CEA's board and management have not seen fit to refinance their long-term debt, which totaled \$318 million at year-end. MEA would do this immediately, saving more than \$100 million in interest over the next 25 years. These savings will result from eliminating about \$247 million in bonds that CEA spent millions to issue at a 9% interest rate. Until this debt is refinanced, CEA members are losing \$10,000 a day in unnecessary interest payments.

ANOTHER \$100 MILLION COMES FROM COMBINED OPERATIONS

Additional savings come from combining the operations of both cooperatives. Tremendous efficiencies are gained by running one larger cooperative as opposed to duplicating everything for two. These savings are conservatively estimated at another \$10,000 a day. However, very few jobs would be lost because MEA intends to phase in most of the labor savings through attrition. Initially, the only staffing reductions anticipated are senior management positions.

ECONOMIC MODEL IS SOUND, FINANCING IS IN PLACE

MEA's offer to CEA has been evaluated by MEA's bankers, who—after intensive review of MEA's economic model—have assured MEA of funding. The primary lender is a \$10 billion national financial institution owned by the nation's electric cooperatives, including MEA and CEA. Additionally, MEA's economic model was reviewed by nationally recognized utility consultants, who also concur with the findings.

MANAGEMENT QUALIFICATIONS

Annual capital credits distributions, low rates, and five rate cuts in less than three years—all accomplished while maintaining a 48% equity level—speak loudest for the qualifications of MEA's management. In terms of members, MEA, with 30,000 is already more than half the size of CEA and sees no problems in expanding to serve 85,000 members. In addition, MEA's General Manager, Wayne Carmony, has more than 25 years experience in the electric utility industry, which he gained working for investor-owned utilities and one of the nation's largest generation and transmission firms and by managing member-owned electric cooperatives.

CAPITAL CREDITS UNAFFECTED

The acquisition will have no impact on the capital credit accounts of either MEA or CEA members. They will be maintained exactly as they stand at the time of sale. It should be noted that MEA members—unlike CEA members—have received capital credit distributions every year for the past 16 years, for a total of more than \$19.5 million.

*Members will need to meet three conditions to qualify for the \$500: 1) You must be an active member of MEA on the day the transaction becomes final. This means that CEA members will have to join MEA as members by the time the sale closes. 2) You must have been an active member of CEA or MEA on 10/13/98, the day MEA's subsidiary offered to buy CEA's assets. 3) You must be an active member of one of these co-ops on the day CEA members approve the sale.

HVA
1 NOV 1998
PA-5

Quick
Daisy
News
6 Nov 1998

Chugach Members

Why You Should Wait to Weigh the Facts

Matanuska Electric Association (MEA) wants to take over Chugach's assets and give complete control to the MEA board in Palmer. In its latest proposal, MEA also said Chugach membership would not have seats on the new MEA board. The hostile takeover proposal was originally presented to the Chugach Electric board on October 12. But the details of how it would work are sparse.

We on the Chugach board are committed to a thorough evaluation of the proposal and other opportunities for the benefit of our members. We have been working diligently with independent experts to evaluate this proposal. We think that's what you want us to do. But MEA has just decided it will no longer deal with the board you elected. They want to have their board run the process instead. That means decisions for your company would be made in the Valley.

There are many unanswered questions about the proposal. Things that just don't add up.

Why the Rush?

MEA asked Chugach to consider the proposal, yet the original process gave us less than five business days to make a decision. Why doesn't MEA want Chugach to have time to answer the important questions?

Where Are the Details?

We've told MEA specific information is needed to evaluate the proposal. MEA is unwilling to provide it. Why isn't MEA providing the details? With nearly a half a billion dollars at stake, we think you want us to take a close look.

Let the Process Work.

We want to answer these and other questions before reaching a decision affecting the future of your company. Rushing the decision process is not the best thing for Chugach members.

We'll keep you updated on the process and our conclusions.

For more detailed information, log onto the Chugach web site at www.chugachelectric.com for the latest updates.



your energy company

Chugach Electric tries to slow MEA

By BILL WHITE

Daily News business editor

Chugach Electric Association on Thursday asked its biggest customer to back off on a hostile takeover bid until the Anchorage power company has more time to assess the proposal.

The customer, Palmer-based Matanuska Electric Association, has started a petition drive to let the Chugach members decide on whether the takeover should occur.

MEA said the Chugach board has been slow to bring the takeover proposal to its members.

"In hindsight, it was naive of us to think CEA's senior management and board would voluntarily cooperate in an action that could cause them to lose their jobs," said Wayne Carmony, general manager.

Chugach president Pat Jasper retorted Thursday, "Based on what we have been able to learn to date, there is simply no reason to rush to

judgment on this proposal."

The Chugach board met Wednesday with financial and legal advisers. The board concluded much more analysis remains, Jasper said.

Chugach serves much of Anchorage and sells power to nearby utilities, such as MEA. As a co-operative, Chugach is owned by its customers.

MEA basically proposes to take over Chugach for free, although the deal includes giving Chugach members about \$500 each.

MEA said it could save about \$200 million over the next 25 years — \$100 million by refinancing debt and another \$100 million by economies of scale.

But most of the debt savings would happen 20 years from now, with higher debt payments in the meantime, Chugach has said.

MEA said it needs signatures from about 5,500 Chugach members on its petition.

QDN
8 NOV 1998
P 14-5

MEA'S OFFER TO CHUGACH MEMBERS:

Savings You Can Take To The Bank And Full Voting Membership In MEA.

AT LEAST \$200 MILLION IN SAVINGS

Chugach Electric Association is paying 9% interest on almost a quarter-billion dollars of bond debt. That rate is way too high. This debt should be refinanced because it affects your utility bills and the cost of wholesale electricity Chugach sells to MEA.

Why hasn't it been done? Chugach's answer—in an October 31 Daily News article—was it can't be done without raising your electric rates. That doesn't make sense.

MEA can refinance this debt without raising electric rates, and our bankers have committed the money. This will save members of both co-ops \$10,000 a day in interest payments. That's \$100 million over the next 25 years. By operating one co-op instead of two, we can save another \$10,000 a day, for a grand total of at least \$200 million over the next 25 years. This is why we want to acquire CEA's assets and have you become an MEA member. The savings are too big to pass up.

A \$500 CHECK FOR EVERY MEMBER

These savings belong in your pocket. That's why, with regulatory approval, we will cut a \$500 check for each qualified member as soon as the deal closes.* If regulators say no, we'll find another meaningful way to give you these savings. We also will commit to no rate increases for at least three years, with a possible rate reduction in the fourth.

FULL MEMBERSHIP PRIVILEGES

You will receive full membership in MEA, which means you can vote on how your co-op is run, elect board members, or even run for a board seat yourself. Your capital credits account will remain completely intact, and you will be glad to know that MEA has issued capital credits checks to its members every year for the past 16 years, totaling \$19.5 million. How many checks have you seen from Chugach?

THE RIGHT TO CHOOSE YOUR UTILITY

In a letter he wrote to the Anchorage Daily News on February 3, CEA General Manager Eugene Bjornstad said: "As a member-owned cooperative, Chugach is comfortable with the idea of customer choice and will be relying on citizens to tell policy makers they would like to choose their utility." He went on to say: "Customer choice is an idea whose time has come."

Tell Mr. Bjornstad you agree with him, and you want the right to vote on MEA's offer. Sign a petition when it comes to your door or where you shop. If you would like to circulate a petition, call MEA at 1-800-478-5150.

*One \$500 payment per membership, whether an individual or joint account. Members must meet three conditions: 1) You must have been an active member of CEA or MEA on 10/12/98. 2) You must be an active member of MEA or CEA on the day CEA members approve the sale. 3) You must be an active member of MEA on the day the transaction becomes final. This means CEA members will have to join MEA by the time the sale closes.

P.O. Box 2929 Palmer, Alaska 99645
Palmer: 745-3231 • Eagle River: 694-2161 • Wasilla: 376-7237
Big Lake: 892-7398 • Anchorage Toll Free: 1-800-478-5150
www.matanuska.com



Matanuska
Electric Association

THE POWER OF AN IDEA WHOSE TIME HAS COME.

PCS ADN
8-NOV-1998

\$260,000

At a rate of \$10,000 a day, this is how much Chugach Electric Association's inaction has cost co-op members in unnecessary interest expense since October 12, 1998. That's the date MEA submitted a proposal to acquire CEA assets and refinance CEA's long-term debt. This money belongs in the pockets of co-op members.



Matanuska Electric Association

It's Too Soon.

Take Time to Weigh the Facts.

Before you sign a petition to give control of your company to a board in the Valley, there are important questions you need to ask.

What's the Big Secret?

Why won't MEA provide your Chugach board with the information needed to evaluate the proposal?

Where Are the Details?

Why is MEA afraid of a fair review? With nearly a half a billion dollars at stake, Chugach needs to take a closer look.

What's the Rush?

Why does MEA want Chugach members to sign a petition **before** your board finishes evaluating the proposal?

Let the Process Work.

These are important issues. Rushing the decision process is not the best thing for Chugach members.

WAIT FOR THE FACTS.

Chugach is committed to a thorough evaluation of the proposal and looking at other opportunities for the benefit of our members. We'll keep you updated on the process and our conclusions.

For more information, log on to the Chugach web site at www.chugachelectric.com for the latest updates.



your energy company

*Anchor Daily News
9 NOV 1998 p A-4*

The business, economics, and politics of electricity deregulation

Market intelligence for industrial electricity customers

When the opening strains of Auld Lang Syne usher in the New Year in the Golden State, party lights from San Diego to the Oregon border will burn brightly to welcome 1998. What most Californians won't realize when they turn out the lights in the wee hours is that they will already be participating in another American industrial revolution—this one involving electricity. Every electricity consumer in California—from the smallest studio apartment to the energy center at LAX, will have been granted the right to choose their own energy supplier, something that has been both under the government's control and protection since 1935.

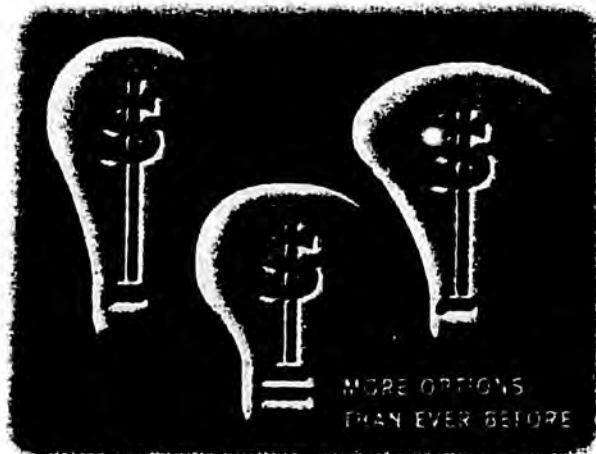
Eventually, the revolution will reach your doorstep, as states create their own version of California's full plunge into retail electric-power competition. Accompanying the freedom to choose will be the politics, lawsuits, debates, and technology that drive any sea change big enough to transform an industry valued at \$300 billion annually with more than 250 million customers from coast to coast. Still, at first, the change will be subtle.

PERHAPS YOU'VE NOTICED the new ads for energy suppliers on TV, billboards or the sides of buses. Maybe your electric utility has offered you a long-term deal to keep you from moving your plant to a state where rates are lower. You may even have already experienced what it's like to pick your power provider by participating in a retail-choice experiment.

Those who haven't seen the signs or heard the sales pitches should be aware that competition is coming to electricity, just as it has to long-distance telephone service. When will it arrive? At different times because electricity distribution is regulated at the state level. Retail choice is scheduled to begin in three states—California, Massachusetts and Rhode Island—in January 1998, but experts believe it won't be prevalent on a national scale until 2000, 2001 or later. Most states are likely to make choice available in phases; businesses that use lots of electricity—such as factories and big office buildings—will get to go first, followed by smaller businesses and then homeowners.

What will competition do to electricity prices? The answer can be inferred from the fact that the three states which are introducing it earliest

Just as telephone bills now
comprise separate charges for
local and long-distance service,
future bills for electricity will
itemize the costs of generating,
transmitting and distributing it.



have some of the highest electric rates in the country. In theory, replacing utility monopolies with a free market will lower prices by expanding the number of supply options. In practice however, it remains to be seen how prices will be affected by making electricity a commodity and adding middlemen and marketing to the supply chain.

BREAKING UP

Just as telephone bills now comprise separate charges for local and long-distance service, future bills for electricity will itemize the costs of generating, transmitting, and distributing it. In the past, utilities and utilities alone performed all three functions—except in the case of industrial self-generation. Now state governments are forcing utilities to split up their vertically integrated businesses into separate entities—so-called gencos, transcos and discos. This will deny discos—which will retain monopoly control over electricity distribution—the opportunity to favor their affiliated genco over independent suppliers.

THE DESIRED RESULT will be that utility gencos will have to compete fairly with independent power producers (IPPs), power marketers/brokers, energy service companies (escos), and load aggregators—the electric-power industry's version of consumer co-ops.

The itemized bill from the local utility disco will include a charge for generation, which—contrary to popular belief—is the only section of the supply chain being deregulated. It will also include a transmission charge, based on distance, to be collected by an independent system operator (ISO), another of the industry's new players. As the name implies, an ISO is a neutral, non-profit entity that will operate a state or regional power pool.



utility distribution lines to end users. Because distribution is regulated by state governments, retail wheeling is the purview of state electricity regulators. With 50 different visions of how competition should work, it is no wonder that it has taken five years—and counting—to get retail choice off the tarmac.

EPAct and state retail choice initiatives, which substitute market forces for regulation, represent a radical change in government oversight of the electricity industry. In the 1930s, Washington and the states concluded that reliable, affordable electric service is so vital to the public interest that its providers need to be regulated with a heavy hand.

In exchange for a guaranteed market and rate of return on their investments, utilities agreed to let state regulatory commissions set their electric rates. For the next four decades, this regime worked efficiently enough to sustain America's position as the world's most prosperous nation and preeminent industrial power.

Then came the mid-1970s' energy crisis, which made energy efficiency a national imperative. With the 1978 Public Utilities Regulatory Policy Act (Purpa), Washington both stimulated the development of high-efficiency powerplant technology and created a market for its product. Under Purpa, utilities were required to purchase electricity from small, non-utility generating plants that met federal efficiency standards.

The latest government initiatives represent the next step in liberalizing the market: Allowing independent generators to not only sell power to utilities, but compete with them for customers.

LONG LIVE THE NEW KING: THE CUSTOMER

The reshapers of the electricity supply industry have plenty of experience to draw upon. In recent decades, the US government has reduced its oversight of the trucking, airline, banking, telephone, and natural gas industries. After the financial services industry was

Five years ago, the federal government began acting more like a spectator than a referee of the electric-power business. In 1992 Congress passed the Energy Policy Act (EPAct), which forced utilities to carry competitors' electricity on their transmission lines—a mechanism called wholesale wheeling. The Federal Energy Regulatory Commission (FERC) is charged with implementing the law.

Wholesale wheeling paved the way for retail wheeling—the delivery of power from any source over local

utility distribution lines to end users. Because distribution is regulated by state governments, retail wheeling is the purview of state electricity regulators. With 50 different visions of how competition should work, it is no wonder that it has taken five years—and counting—to get retail choice off the tarmac.

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deregulated, benefits for customers went far beyond new toasters. Free checking, streamlined loan applications, and consolidated monthly statements became the industry norm. However, remember that after the airline industry was deregulated, some small towns lost their air service. For businesses in all deregulated industries, convenience and service become the new pole stars of strategic planning.

SO, WHILE THE OBJECT OF UTILITY RESTRUCTURING IS UNBUNDLING, the trend in delivering services is bundling. Expect to see the utility bill of the future consolidate separate charges for different services—gas and electricity, telecommunications, Internet access, cable television, home security, et al. This will make it convenient for customers to write one check or make one cyberspace transaction to pay for everything. Such



If deregulation were a New Deal program, electricity competition would be introduced at the same time with the same rules in all 50 states. The fact that the 50 states are marching to different drummers proves that the principle of states rights is riding a crest of popularity. Unless reined in by Washington, state legislatures will wield cheap electric rates like an economic club against their neighbors on the interstate economic battlefield.

Fearing the chaos that would result from a crazy quilt of power prices, both houses of US Congress are debating bills that would create a "date certain" on which competition would uniformly begin in all states.

One of the most ardent proponents of early, uniform electricity deregulation is Enron Corp, the world's largest integrated natural-gas company. Over the last few years, Enron has also become America's biggest power marketer, and—with its recent purchase of Portland, Oregon's electric utility—its broad shadow now looms over the California retail electricity market as well. Appearing before a Senate Energy & Natural Resources Committee workshop earlier this year, president and COO Jeffrey Skilling called deregulation of the US electricity market "the largest pending issue of competitiveness in America

KEEPING UP WITH THE TIMES: THE WAR BETWEEN THE STATES

today," adding that "today, and every day, consumers will spend \$200 million too much for electricity."

Opponents of these bills fall into two categories. One comprises states where electricity prices are well below the national average; their rates may rise as competition creates a new, slightly cheaper nationwide price for electricity. In the other camp are rural states which are so sparsely populated that few competitive suppliers will want to serve them. After all, it was the federal government—not the private sector—that brought electricity to rural America in the 1930s.

Another difference between the states is their handling of the politically charged issue of stranded-cost recovery. Stranded costs are the white ele-

phants of the utility industry: Assets including uneconomic (aging and nuclear) powerplants and above-market power-purchase contracts—that were acquired under the monopoly regime with the approval of state regulators. What state deregulators must decide is who will foot the bill for poor business decisions made in the past: The utility's shareholders or customers. The percentage of the stranded-cost bill that regulators authorize utilities to recover through rate increases will determine how competitive that state is, vis-à-vis its neighbors.

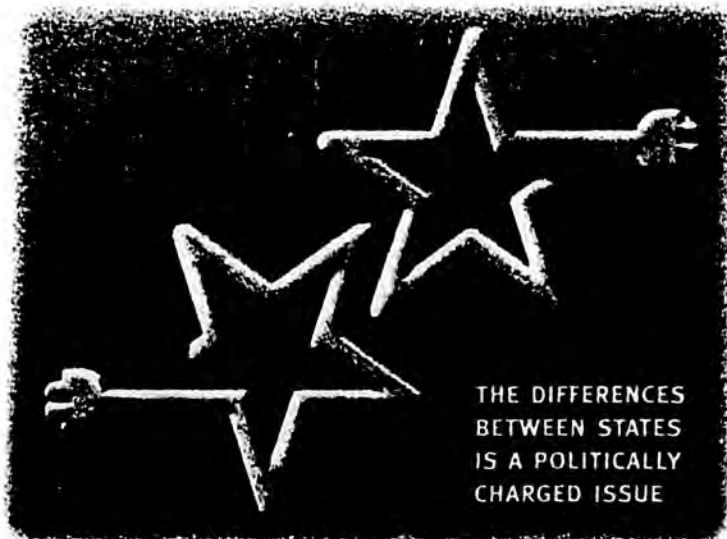
one-stop shopping will help reduce customers' confusion about suppliers and allow the suppliers to differentiate their electrons from their competitors'.

In fact, bill consolidation and similar customer-information management services is becoming a diverse mini-market. While firms such as Seattle-based ConnexT sell such automation services to energy utilities and escos, Avista Advantage—the esco subsidiary of Spokane-based energy conglomerate Washington Water Power—is targeting the customers of those utilities and escos. This July, Avista became the preferred provider of energy-management and related billing and accounting services to Retex, the nation's largest retail technology buying consortium. Meanwhile, targeting the utility market in its broadest sense is American Payment Systems, a subsidiary of United Illuminating Co. APS's customer list includes not only some of America's energy and water utilities, but cable-TV companies, local and long-distance telcos, and newspapers as well.

ONE RESULT OF BUNDLING utility services is a swelling of the ranks of suppliers. As they branch out, electric utilities will come face-to-face not only with other power providers, but with the incumbent suppliers of telecom services. Finding themselves vying for the same

customers, utilities will have to decide whether to compete or cooperate.

Some power companies already are going head-to-head with Baby Bells, while others are partnering with or buying local telcos to add phone service to their menu. The Telecommunications



THE DIFFERENCES
BETWEEN STATES
IS A POLITICALLY
CHARGED ISSUE

ELECTRICITY MEETS TELEMARKETING

No annoying phone calls at dinner time, please. That was the refrain of Massachusetts citizens at last year's state Dept of Public Utilities (DPU) meetings to gauge public sentiment about electric power industry restructuring.

"Few issues provoked such strong reaction by consumers," stated the DPU's 400-page summary of the hearings released last December. "We strongly urge competitive suppliers to voluntarily restrict their telemarketing activities beyond the minimum [federal] legal requirements. The industry must identify other, less intrusive means of advertising and solicitation if the electric industry is to escape the stigma that still—12 years later—attaches to the initial experience of long-distance telecommunications deregulation in the minds of many consumers."

Although the state agency did not establish its own telemarketing curbs, it vowed to educate consumers about federal restrictions and pushed to enforce them. Among other things, the federal rules prohibit telemarketers from calling before 8:00 a.m. and after 9:00 p.m., and forbid them to call back consumers who say no the first time.

Telemarketing played a role in New England Electric System's (NEES) recent retail choice pilot, in which residential and small-business users in Lawrence, Lynn, Northampton, and Worcester were invited to pick one of six power providers. The Boston-based consulting firm Environmental Futures Inc ran the program for NEES. Suppliers also contacted customers in old-fashioned ways—via direct mail, newspaper ads, booths at malls, even door-to-door sales. The suppliers offered power in three categories: low-cost, green, and "other," which included market-based pricing and charitable contributions linked to sales. NEES, based in Westborough, Mass, put \$400,000 into promoting the pilot.

Where, and to what extent, did the pilot's power providers employ telemarketing? That remains unknown, because suppliers are keeping details of their marketing strategies confidential as competition nears. For example, officials of Enova Energy, San Diego, the unregulated subsidiary of Enova Corp, which bested all other suppliers by signing up 2224 of the 5292 accounts, will say only that the company used "limited" telemarketing, along with direct mail, advertising, and the enticement of various goodies, like the possibility of winning an electric car. Similarly, a company spokesperson for Northeast Utilities, Berlin, Conn, the second most popular choice, reports having used telemarketing "in certain situations" as part of an aggressive marketing plan that included advertising, face-to-face selling, and direct mail.

In Massachusetts, suppliers pitching low prices came out ruling the roost. Final pilot results, released in January, showed that 96% of small-business participants and 66% of residential customers went for low-price packages.

Green suppliers found it more difficult to sell their wares. For example, NEES's unregulated subsidiary, AllEnergy, drew only 71 customers to its green package. The company didn't use telemarketing at all, but rather relied on targeted direct mail, door-to-door, and mall booths. Part of AllEnergy's problem was the complexity of its product. The company offered a formula that tied sales to the retirement of pollution-emissions credits and installation of solar panels at public buildings. "We definitely need to work on making the green product easier to understand," says Arthur Pearson, AllEnergy's manager of sales and marketing.

If telemarketing will help, AllEnergy will use it in the future—but only for the right market under the right set of circumstances. "We're very sensitive to the ill will that it could generate," reports Pearson. "The commission put its finger on the problem: Marketers have to think carefully about whom they call, when they call, and how often," he says, but adds that "people will [still] be called at home at dinner time."

Act of 1996 made it legal for utility holding companies to spin off subsidiaries for providing telephone service. In 1996, Dallas-based Central & South West Corp became the first to do so when it created CSW Communications. Nine months later, CSW gave birth to ChoiceCom, a joint venture with a unit of Englewood, Colo.-based ICG Communications, which will offer long-distance telephone service in Texas, Louisiana, Oklahoma, and Arkansas—the primary service territories of CSW's four electric utilities.



IDENTIFY ADDITIONAL
MARKETING METHODS

THE SYNERGY BETWEEN POWER AND PHONE COMPANIES is natural; electric utilities have communications infrastructures that are on a par with those of telcos. Running adjacent to most utility powerlines are fiberoptic cables capable of delivering high-bandwidth digital traffic; in essence, utilities already have their own information superhighway. While some utilities are joining telcos in gambling on the future of interactive multimedia, others are sticking to what they know. Their only concession to the arrival of market forces: Substituting the word energy for electricity or gas in their corporate name and marketing efforts. For most utilities, energy will remain their core business. But some—like Philadelphia-based PECO Energy—are



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expanding into energy-related service businesses. PECO's newly formed affiliate Exelon Corp, headquartered in nearby Valley Forge, specializes in making any powerplant more energy-efficient, be it a tiny industrial diesel/turbine combo or a huge, advanced-technology utility facility.

Collectively, utility consolidation, diversification and cross-industry partnering are replacing the old cultural icon of the electricity industry—the monopoly—with a new one—the marketplace. But as a commodity, electricity will be difficult to market as a unique brand.

In essence, utilities  already have their own information superhighway.

BRANDING ENERGY, by contrast, seems to be a popular strategy. Heavy hitters such as Enron, Southern Company, PacifiCorp, UtiliCorp United and American Electric Power are waging media campaigns for consumers' hearts, minds, and pocketbooks—typically by emphasizing that the brand includes products and services from household names like AT&T, MCI, and Sprint. Others such as Avista and Energis (the esco subsidiary of New Jersey's Public Service Gas & Electric) are making their presence felt one region—or, in some cases, one customer—at a time. Avista, for example, is joining forces with regional energy partners as it pushes its marketing front eastward from the Pacific Northwest.

MOSH PIT

How receptive an industrial/commercial firm is to an energy sales pitch is related to how much energy it uses. If competition succeeds in slashing electricity prices, big manufacturers which have found it cheaper to generate their

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Deregulation is pulling the rug out from under electric utilities that have enjoyed freedom from competition for more than 40 years. As monopolies, utilities have done a good job of providing reliable electric service. However, because efficiency has never been high on their list of business priorities, it will be difficult for the most hidebound power companies to evolve into lean, mean competitive machines.

Nonetheless, utilities are doing their best. Among the steps they are taking to become more like market-driven businesses are:

DOWNSIZING. After resigning themselves to the inevitability of competition, power companies began reducing staff through attrition and layoffs for two main reasons: To reduce expenses before regulators remove the cost-plus safety net, and to make themselves more attractive to potential suitors—companies which believe that bigger will be better in the competitive era.

CONSOLIDATING. Electric utilities are either merging with each other to take advantage of the economies of scale, or with natural-gas utilities to exploit the natural synergy of electricity and gas. Nearly two-thirds of new powerplants in the US will be powered by natural gas, a cheap and clean fossil fuel. Since 1980, the number of investor-owned utilities has decreased by 20%. One Wall Street pundit predicts that by the turn of the century, only 50 mega-utilities will remain in business.

PARTNERING. Partnerships are a less formal, less risky way for utilities to realize the same synergies with businesses in other industries (telecom, cable, home security, e.g.). Joint ventures are an arms-length tactic for accessing new customers and technologies with less risk.

OUTSOURCING. Specialization has made deep inroads into the utility industry. Increasingly, companies are farming out tasks beyond their core competencies and skills sets. Examples include operations and maintenance, applications development, customer call centers, power brokering, and even entire information technology departments.

own electricity may choose to buy it instead. What's more, depending on how high your electric bill is, you'll either welcome competition or find it annoying.

JOINING PITCHMEN for phone service and credit cards will be power suppliers—queued up at your door, on your phone, and in your e-mail box. Remarkably, although the retail game hasn't yet

begun, more than 300 power marketers/brokers—including companies spun off from utilities to escape regulation—have already hung out shingles. What's the difference between a power marketer and a power broker? A power marketer takes possession of the electricity he buys in bulk, while a power broker does not.

In addition, more than 100 escos—the largest of which are energy utility

COMMERCIALIZING. Hoping to locate another piece of the profit puzzle, utilities are selling on the open market products and services developed for internal use—for instance, customer information systems and software; operations and maintenance services; equipment sales and appliance repair; and design and construction capabilities.

BRANDING. This is uncharted territory for utilities. Like advertising, there are two kinds of branding campaigns—image and product. To win share of mind in their chosen geographic market segment, utilities must establish brand recognition. Product branding is another way of achieving economies of scale through franchising. By signing up with a national brand, smaller local utilities can enjoy the media attention and full complement of value-added services accessible to larger utilities. In 1995, UtiliCorp United became the first utility to launch a national branding campaign, for its EnergyOne line of energy and communications services. After going it alone for two years, the Kansas City-based firm recently brought in as co-owner and invited partners Philadelphia's PECO Energy, AT&T (telecom services), and ADT (electronic home security) to participate. But not to be outdone was Enron, which spent \$400,000 on image advertising on this year's telecast of the Super Bowl. Atlanta-based Southern Company—the largest utility holding company in the US—is also waging an aggressive branding campaign on behalf of its regulated electricity providers Alabama Power, Georgia Power, Gulf Power, Mississippi Power, Savannah Electric.

FOCUSING ON THE CUSTOMER. Now that utilities have customers with choice, rather than captive ratepayers, they will have to work to win them and keep them satisfied. As in other industries, information technology is proving to be an essential means to both ends. Branching out from utilities' advanced, integrated customer information systems are tentacles that handle and coordinate meter reading, billing, outage notification, maintenance dispatch, inbound and outbound routing of call-center requests, decision-support systems, sales-force automation, and other business functions.

LOOKING OVERSEAS. With domestic population and electricity demand growth stagnant at 2%, utilities are seeking more fertile markets, such as the industrializing nations of Latin America and Asia. A second driver for globalization is the perceived need to acquire experience serving non-captive customers. That's why several large US utility affiliates have bought distribution companies in the UK and Australia's Victoria state—to practice competing at the retail level. Leading the charge in 1995 were: UtiliCorp United, which spent \$1.15 billion to acquire United Energy, the electricity distributor for the city of Melbourne; and Southern Company International, which shelled out \$1.5 billion for UK distributor South Western Electricity.

affiliates—are preparing to sell retail customers what they now offer their wholesale clients: Electricity plus.

ESCOS ARE THE ENERGY equivalent of big money-management firms. Using energy audits, they evaluate customers' demand and supply portfolio in search of ways to cut costs—such as shifting consumption to when power is cheapest. In contrast, power mar-

keters/brokers are like no-frills discount securities firms that sell stocks, but offer no big-picture financial advice.

An esco is just as likely to have its roots in natural gas as in electricity. As the boundary between the two energy forms blurs, more escos are offering a menu capable of satisfying any energy appetite. As an example of how broad—and competitive—the energy-services market has become, consider what Pittsburgh-based ERI Services, the esco subsidiary of \$2-billion gas conglomerate Equitable Resources, is doing at hometown Duquesne University. To get Duquesne's business, ERI added a 3,100-ft spur to its main gas lines to reach the campus. Then, it began building a gas-fired cogeneration plant that will produce both electricity and steam. The electricity will satisfy most of the campus' appetite for power, while the steam will be used both for heating and cooling buildings. By replacing existing electric chillers with a central chilled-water plant, the ERI system will rid the Duquesne campus of ozone-depleting chlorofluorocarbons (CFCs).

IN GENERAL, IDEAL CUSTOMERS for escos are small companies that want to reduce their energy bills, but lack the

time to sort out local tariff options and equipment upgrades. Power marketers/brokers, on the other hand, are better suited to large industrials with in-house energy managers who can navigate the market on their own and find the cheapest supply.

Escos are entering the new retail market with a distinct advantage—they are already doing business with retail customers as energy efficiency consultants. But power marketers/brokers, with their extensive wholesale experience, are already deft at aggregating low-cost energy and using sophisticated financial instruments—such as futures contracts—to manage price risk.

NEW TRAFFIC, SAME ROADS

Will deregulation of generation decrease the reliability of electricity service, which is generally so good in the US that customers take it for granted? Common sense says that adding retail traffic to the national electricity highway, which was hardly designed for open access, can only make reliability worse.

In fact, parts of the power grid have had trouble handling the steady growth in wholesale transactions. Last summer, two major blackouts on the West Coast

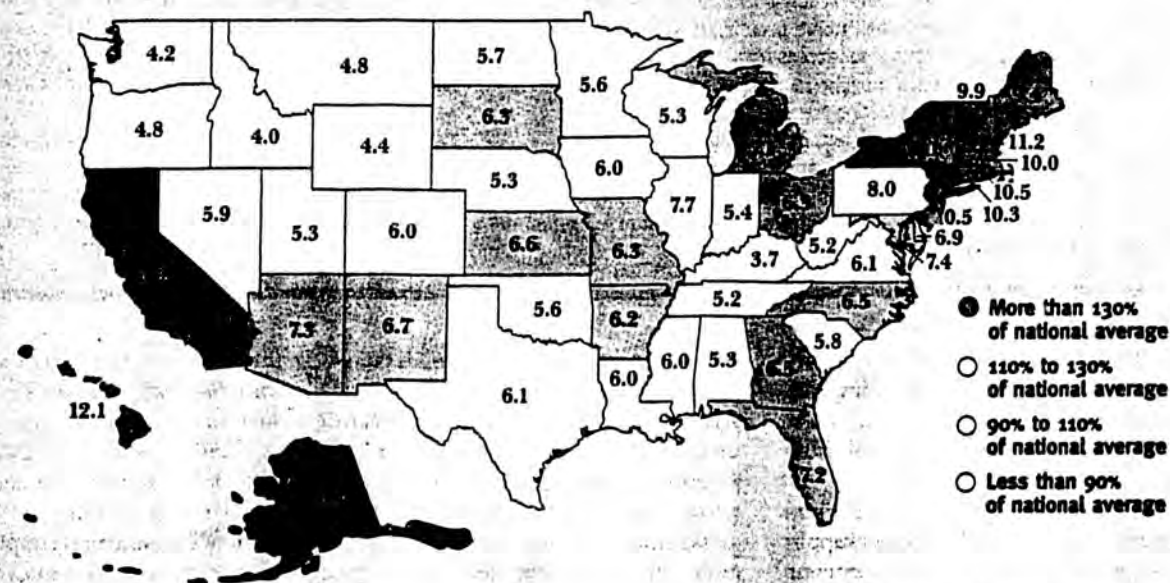
illustrated that the patchwork system remains susceptible to cascading outages; although initially, observers simply blamed the blackouts on trees.

But an overgrown tree wasn't solely to blame for the larger of the two West Coast outages, which left four million people in nine states without power. The 500-kV line on which the first short-circuit occurred was at the time carrying a considerable amount of hydroelectricity down the coast from Washington. Believing that it could bring the system under control itself, the utility at the head of the daisy chain waited too long to notify the next utility that there was a problem. Within minutes and like dominoes, high-voltage circuit breakers tripped all the way to Texas.

IT IS ALSO LIKELY that the exploding volume of wholesale transactions also contributed to the larger blackout. One utility reported that on that day, it was involved in about 350 transactions. One year earlier, the company made only about a dozen wholesale trades.

This major outage underscored the vital role that voluntary cooperation among utilities plays in the operation of the national matrix of ten regional power grids. Utilities in neighboring

Average total industry rate per kwh—1996



regions began cooperating with each other after the notorious Northeast blackout of 1965. But as utilities evolve from monopolies to competitors, they may not be so willing to share information—about transmission constraints, or where or when they are adding or subtracting powerplant capacity to the grid.

Lest you get the impression that the U.S. transmission system is a house of cards, be aware that engineers are at work devising ways to minimize and localize outages. The ideal solution—building more transmission lines—is no longer economically or environmentally acceptable, because utilities are finding it increasingly difficult, if not impossible, to win approval for new rights-of-way. Like other infrastructure projects, transmission lines suffer from NIMBY (not in my backyard) syndrome.

The next-best solution—increasing the carrying capacity of transmission lines—has limited technical promise, at least until superconducting technology proves more than a lab curiosity. However, collaborative research and development programs funded by U.S. utilities has produced technologies like Facts (flexible alternative-current transmission systems). By replacing existing electromechanical transmission controls with faster, solid-state systems and software, Facts can boost high-voltage traffic on power grids by a percentage point or two.

The state-owned New York Power Authority, best known for supplying the juice to the New York City subway system, is exploring ways to bring the benefits of Facts technology to its grid. At the same time, NYPA has asked state regulators for permission to buy the 65% of New York's high-voltage lines it does not already own. If the proposal is approved, New York's power network would—*theoretically*—run more reliably because statewide operations would all be under one roof, rendering unnecessary the need for utilities to cooperate.

TECHNOLOGY TAKES THE WHEEL

While competition is turning the businesses of power providers upside down, it is putting industrial/commercial electricity consumers in the catbird seat. Big businesses can either sit back and be courted by supply suitors, or

proactively research the new range of electricity and related service options. Don't forget to check the Internet; all power providers worth their salt have sophisticated Websites.

Where suppliers can only guess at what combinations of product and services consumers want, it behooves users to determine what they really need. For example, if power prices plummet in your region, you may want to consider switching your space heating or other natural-gas-powered gear to equipment based on customer electrotechnologies.

While competition is turning the businesses of power providers upside down, it is putting industrial/commercial electricity consumers in the catbird seat.



FOR THE PAST FEW YEARS, collaborations between manufacturers, state governments and utilities have produced a number of more electrically efficient systems for industrial applications, ranging from thawing frozen food to cleaning circuit boards. A good example of a consumer electrotechnology application which has improved its market share against gas-powered competitors is the electric lawnmower.

ON THE OTHER HAND, if competition happens to raise the price of power in your neighborhood, or a fail-safe electricity supply is essential to your business, you may want to consider generating your own power. Another do-it-yourself concept whose fortunes have risen as competition draws near is distributed generation—installing small generating units—some as compact as refrigera-

tors—near load centers. These units, should they prove economically competitive with purchased power within the next decade, could be gas-turbine based, or powered by emerging technologies like hydrogen-powered fuel cells or sun-powered photovoltaics. One of the new entrants into the distributed-generation market is Unicom Energy Services, a sister company of Chicago-based electric utility Commonwealth Edison. Unicom is beginning to market to restaurants, convenience stores and hospitals a gas-fired generator—designed and built by AlliedSignal Power Systems, Torrance, Calif.—which puts out 75 kilowatts of power, but is no bigger than a commercial air conditioner.

Credit technology with making this and the next generation of power sources smaller, cleaner and cheaper to operate. However, the pace of technology innovation cannot be accelerated in response to market pressures. Although ISOs, power exchanges, and spot and futures markets—the new institutions of free-market electricity—would be inconceivable without powerful, fast and inexpensive computers, information technology is devilishly complex and time-consuming to configure and deploy.

POWER DISTRIBUTORS IN THE UK are learning that lesson the hard way. After seven years of implementing retail choice, three of Britain's 14 distributors are expected to have IT systems capable of billing and switching residential electricity users by April 1998, the final deadline. That doesn't bode well for California, which last year decided to introduce retail competition in one fell swoop, speeding up the timetable by three years. A less-frantic approach is being taken on the opposite coast, where regulators plan to phase in choice beginning in April. This should allow sufficient time for ISO New England—the successor to the New England Power Pool—to develop with Chicago-based Andersen Consulting the trading structure, processes and hardware and software needed to create a coherent, smoothly functioning system.

This special section was written by Marie Leone, editor-in-chief, and John Javetski, contributing editor, of Electrical World. Electrical World is a publication of The McGraw-Hill Companies.

NCSL ENERGY NEWSLETTER

Fall '98

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News by Chris Burnett

STATES DEAL WITH CONSUMER ISSUES IN ELECTRIC RESTRUCTURING DEBATE

In California, electric utility restructuring requires power sellers to let consumers know what fuels they are using to generate the power they sell. In passing their version of utility restructuring, Maine legislators required the Public Utilities Commission to develop regulations on fuel mix disclosure that electricity sellers must follow. Similarly, Massachusetts's 1997 restructuring law required the disclosure of price data, fuel mix and emissions on a uniform standardized label included in customers' monthly bills.

In these and other states, legislators who are dealing with restructuring issues are working to ensure that consumers are not left in the dark when it comes to the effects of electricity restructuring. Whether written specifically into restructuring statutes, or handled administratively by regulatory agencies, states are recognizing that consumers have a right to know the sources of power supplies and are setting up procedures to obtain consumer views.

Linking this push to provide more information to encourage consumer savings is not necessarily an easy task, analysts agree.

"If the transition to a competitive market is to be orderly, it will be necessary to ensure that all participants, and especially consumers, understand the rudimentary principles and implications of the new system," said Deborah Schachter, a restructuring analyst. In 1996, Schachter wrote a paper for the National Consumer Law Center that examined state efforts to involve consumers in restructuring.

At least a dozen states have specifically addressed consumer disclosure in so-called public purpose programs, according to a study done for the U.S. Department of Energy earlier this year by Energetics Inc. California, which has passed comprehensive restructuring legislation, and Wisconsin, which has not, illustrate approaches other states are following as they gear up their own efforts.

In California, the Public Utilities Commission held a series of public participation hearings from November 1994 through January 1995. Attendance ranged from 30 to 90 people. After the process of implementing retail competition began, the commission set up working groups, which considered consumer protection and education issues.

In Wisconsin, a state that is approaching the issue incrementally, the Public Service Commission started out by appointing a 22-person advisory committee. That advisory committee held public hearings that were attended by a total of 1,000 people, an overwhelming percentage of which opposed restructuring.

In addition, the commission asked the Energy Center of Wisconsin, a private nonprofit company, to conduct focus groups to find out what people think of restructuring. The center conducted a dozen focus groups of eight to 12 participants each. Two focus groups targeted low-income residential consumers from rural and urban communities. Overall, focus group participants raised concerns that restructuring would lead to higher rates for retail consumers. Participants also were concerned that large industrial

and commercial consumers would negotiate favorable rates.

States are attempting to address these kinds of concerns through active consumer education programs, however. In California, the Public Utilities Commission has adopted regulations to ensure that consumers are protected from unfair marketing practices. Although the commission does not regulate rates or terms and conditions of service, it registers electricity sellers who want to sell power to residential or small commercial customers. The commission requires power sellers to have experience in the energy field or related business, and to provide proof of technical, operational and financial ability. The Public Utilities Commission also conducts a background check on potential sellers, and it tracks consumer complaints.

In Massachusetts, the Department of Telecommunications and Energy set up a Consumer Education Advisory Task Force to run public education programs. Since the summer of 1997, electric bills in Massachusetts have broken down charges for generation, transmission, distribution and other costs.

STATE NEWS BRIEFS

This newsletter highlights action on key proposals in the states rather than listing without description all energy bills that have been introduced. Enacted legislation will be listed in the year-end issue.

The format is designed to help legislators and legislative staffers stay abreast of key developments in other states.

Alternative Fuels

CALIFORNIA – The Legislature has approved and the governor signed on Sept. 13 legislation that repeals a law that had made it illegal to sell motor fuels that did not have prescribed signs or labels describing the ethanol or methanol content.

The legislation (AB 1650), sponsored by Assemblyman Bernie Richter, was intended to eliminate labeling bias against alcohol-blended fuel by eliminating the requirement that pumps carry the "contains ethanol" or "contains methanol" label.

The Renewable Fuels Association, a trade group representing companies that produce ethyl alcohol from agricultural waste products, promoted passage of the repeal. The association noted that ethyl alcohol is the primary oxygen-containing alternative to methyl tertiary butyl ether (MTBE), the oxygenate most widely used to produce a cleaner burning gasoline that now is being sold in California.

Gasoline pumps that dispense gasoline containing the oxygenate MTBE are not required to be labeled to indicate that fact, even though the amounts of MTBE can be as high as 11 percent to 14 percent. The previous law, however, did require that pumps that dispensed gasoline containing at least 1 percent alcohol be labeled.

CALIFORNIA – Buyers of alternative fuel vehicles will get a break in paying license fees to the state under legislation (SB 1782) approved by the Legislature and signed Sept. 26 by Governor Pete Wilson.

Under the legislation, sponsored by Senator Bruce Thompson, alternative fuel vehicles still would be taxed the license fee, but only at the rate of a comparable gasoline or diesel fuel vehicle.

The California Energy Commission estimates that alternative fuel vehicles cost some \$10,000 more than conventional vehicles. The new law applies until Dec. 31, 2002, the date on which the state Air Resources Board wants 10 percent of all vehicle sales to be low- or zero-emission vehicles.

In California, the vehicle license fee is 2 percent of the vehicle's market value, depreciated over time.

ILLINOIS -- Governor Jim Edgar on Aug. 7 signed legislation (SB 1840) passed by the legislature earlier this year that extends a rebate program for individuals who buy vehicles that burn alternative fuel and for individuals who convert their conventional vehicles to alternative fuel use.

Under the new law, a fuel is considered alternative if it contains at least 80 percent methanol or ethanol. The program is paid for by a per-vehicle user fee collected from owners of fleets that are registered or used in the Chicago area nonattainment zone.

The program and fee collection and related ethanol fuel research program was extended through 2002.

MISSOURI -- Alternative fuel requirements for state fleet vehicles were revised in legislation signed by the governor this past summer.

Under legislation (SB 619) sponsored by Senator William McKenna, the old requirement that fleet vehicles reduce motor fuel use 20 percent by 1997 was replaced by a requirement that 30 percent of the fuel used by state vehicles be alternative fuel by July 1, 2001.

An Air Conservation Commission also is required to establish a reformulated gasoline program by June 1, 1999, to increase usage in the greater St. Louis area.

NEW HAMPSHIRE -- The alternative fuel motor vehicle program no longer exists in the Granite State.

Legislation (HB 1223) passed and signed on June 24 by Governor Jeanne Shaheen ended the four-year program; lawmakers believe the program's goals of cleaning up the air can be more cost effectively and flexibly achieved by other policies. Those policies were not specified in the legislation, but legislators have been working on comprehensive air pollution legislation that would reduce mobile and stationary source pollution. The bill's sponsor was Representative Jeff McGillivray.

The state Department of Environmental Services estimates that eliminating the requirement to buy clean fuel vehicles for fleets will reduce state spending by \$75,000 in fiscal year 2001, and by \$150,000 in fiscal year 2002.

U.S. ENVIRONMENTAL PROTECTION AGENCY -- A U.S. senator from California is pressing the U.S. EPA to draw up regulations requiring states to allow single-occupant, inherently low-emission vehicles (ILEVs) to use car pool lanes.

In a letter to the EPA on Sept. 17, U.S. Senator Barbara Boxer said she wants the EPA to make sure to include nonfleet as well as fleet vehicles that use natural gas and electricity in regulations it draws up. She also wants the EPA to relax the labeling requirements that are required for inherently low-emission vehicles.

"I strongly believe that granting a state option to permit clean fuel vehicles access to car-pool lanes is consistent with our national goals of promoting transportation alternatives which benefit the environment," Boxer wrote.

Boxer was a co-sponsor of the Transportation Equity Act for the 21st Century, passed this year. The letter is intended to clarify whether language included in the law is enough to assure that individually owned vehicles are allowed to use car pool lanes.

Utility Planning

CALIFORNIA – An initiative on the ballot Nov. 3 requiring a 20 percent cut in electricity rates and forcing utilities to bear most of the costs associated with restructuring is getting mixed support from state voters, according to a *Los Angeles Times* poll.

The telephone poll, conducted with 1,651 Californians between Sept. 12 and 17, found that voters were divided on Proposition 9, the utility measure. Proposition 9 would require a 20 percent cut in electricity rates and prevent utilities from charging customers \$28 billion for the cost of nuclear plants and long-term purchase projects.

According to the poll, 36 percent of registered voters said they supported Proposition 9, 21 percent said they opposed it and 43 percent said they were unsure on the issue.

DISTRICT OF COLUMBIA – A Washington, D.C.-based public interest group released a report last month that criticizes utility companies' efforts to reclaim investments in failed energy projects and other costs that are unrecoverable in a restructured regulatory environment.

The Safe Energy Communication Council examines stranded cost recovery policy and costs in 11 states—California, Illinois, Massachusetts, Michigan, Montana, New Hampshire, New Jersey, New York, Ohio, Pennsylvania and Texas. The report estimates stranded costs in the 11 states to be \$112 billion, a figure the public interest group believes "unfairly punishes residential and commercial ratepayers, lacks a sound legal foundation, handcuffs the fledgling competitive market and hurts local economies."

Legislators can obtain copies of the report by contacting SECC, 1717 Massachusetts Ave. N.W., Washington, D.C. 20036. Tel: (202) 483-8491.

MONTANA – Montanans surveyed in a poll last month back the electric restructuring law passed in 1997 by a 2-to-1 margin, but they are not confident that restructuring of the utility industry will lead to a decline in their electric bills.

The poll of 806 Montana voters, conducted Sept. 21 to 23 by Mason-Dixon Political Research of Washington, D.C., found that 42 percent of those polled support the law, 21 percent oppose it and 37 percent were undecided.

Forty-nine percent of those surveyed said they expect electric bills to remain about the same, 25 percent expect bills for them to go down, while 11 percent are not sure what will happen.

Voters surveyed were divided over whether Montana Power Company's decision—announced last December—to sell its hydroelectric dams and coal-fired plants used to generate electricity was a wise move. Twenty-nine percent disapproved of the decision, while 27 percent approved and 44 percent were not sure. The poll, sponsored by Lee Newspapers, was conducted to gauge public reaction to the electricity restructuring law passed by state legislators in 1997.

The state's 240 largest electricity customers—primarily large utilities, hospitals, schools and other institutions—now have the ability to choose their electric provider under restructuring legislation passed last year. By mid-2002, the 1997 law (SB 390) requires that all customers make a choice.

NEW HAMPSHIRE – Public Service Company of New Hampshire and the state are set to battle in federal court in November over the future of the state's electric power industry.

The trial U.S. District Court trial is to decide how much Public Service will be compensated for opening its monopoly to competition. The utility is seeking compensation for up to \$1.4 billion in investments.

Meanwhile, however, smaller utility companies such as Granite State Electric Company and Unitil Corporation have instituted voluntary plans and begun implementing competition. From July—when restructuring began for Granite State customers—to September—average monthly residential electric bills dropped from \$56.38 to \$50.73.

Granite State reduced its residential and business rates by approximately 10 percent in July, and bills for August reflected another 7 percent savings, according to an Associated Press report.

State regulators maintain that the Seabrook nuclear plant prevents Public Service from offering its customers better rates. The plant has a multi-million dollar debt, and the state and the utility company are attempting to decide in court how much ratepayers should pay to cover those costs.

The utility wants customers to repay all its investments. Public Service maintains that a 1989 agreement with the state government guaranteed the company full reimbursement for its costs.

The state, however, says the utility is entitled to about 60 percent recovery of its investments. The state argues the 1989 rate agreement was not a guarantee that customers would continue to pay for bad utility management.

A Public Service Company official said rates could drop 20 percent for New Hampshire customers if the utility reaches an agreement with the state.

SOUTH CAROLINA – A Public Service Commission report released Sept. 30 estimates the cost of restructuring the state's electric utilities to be \$1.4 billion.

The \$1.4 billion is the estimate of stranded costs that utilities say they need to recoup under any restructuring plan approved by the legislature. Stranded costs are investments that utilities made while they were regulated that they would be unable to recoup in a restructured environment.

Meanwhile, a legislator who introduced a bill in the House last session says he believes utilities should not be subsidized for stranded costs that he considers poor business decisions. Representative Doug Smith said he plans to introduce restructuring legislation in 1999.

Representative Harry Cato, chairman of the House Labor, Commerce and Industry Committee, told the *State* (the daily newspaper in Columbia) that passage of restructuring legislation next year is far from assured. Cato said the stranded costs estimate released by the Public Service Commission is a worst-case scenario.

Philip Porter, the state's consumer advocate, also disagreed with the estimate. Porter said his estimates indicate the utilities would not have any stranded costs under restructuring legislation.

VIRGINIA – A state legislator is predicting the Virginia General Assembly will be reluctant to approve a comprehensive electric restructuring plan in 1999 – an election year.

Senator John Watkins told the *Richmond Times-Dispatch* that legislators want to be comfortable with what they are voting for, and that electric utility restructuring is too complex and offers too many unknowns to provide that kind of comfort level. All 140 seats in the General Assembly are up for election in 1999.

Another factor that may lead to delay in Virginia is the fact Congress, at least for the time being, has suspended consideration of restructuring legislation, Watkins said.

Another possibility being discussed is conducting a pilot program to determine the effect competition would have on small consumers. The state's two largest utilities-- American Electric Power and Virginia Power--are preparing pilot programs under the direction of the State Corporation Commission. However, it is unclear how wide the scope of the pilot programs would be.

A joint legislative subcommittee held hearings during the summer in the hope that they will provide the blueprint to make electric restructuring work. The goal has been to prepare legislation for comprehensive restructuring that will pass the General Assembly in 1999.

Last spring, the General Assembly passed HB 1172, sponsored by Delegate Kenneth R. Plum, which established a schedule for the state's transition to retail competition in electricity sales. The legislation, however, left the details to future General Assembly members and the State Corporation Commission.

WEST VIRGINIA – Public Service Commission Chairwoman Charlotte Lane plans to set a deadline for an agreement on restructuring of the state's electric utility industry.

Lane told a business summit meeting in September that the deadline is needed to help break a stalemate involving participants in a task force set up by the Legislature earlier this year.

Because of the lack of a plan, a public hearing originally scheduled for October has been delayed to November. Lane did not specify to the business summit audience what the deadline would be, but she said restructuring should help boost the state's economy.

Restructuring holds the promise of maximizing the use of the state's coal and gas "to produce more power to sell to other areas of the country, resulting in a real boost to our economy," Lane said. "West Virginia's current coal-fired power plants are not operating at maximum capacity."

Renewable Energy

CALIFORNIA – The state's three-year-old net metering program received a boost in September with the signing of legislation (AB 1755) that provides a tax credit for solar installation and expands other net metering provisions.

The law, sponsored by Assemblyman Fred Keeley and signed by Governor Pete Wilson on Sept. 24, gives a property tax exemption to individuals who install solar energy systems in their homes or businesses. In addition, the bill provides the option of figuring net metering costs on an annual rather than a monthly basis to encourage more installation of solar and wind power systems.

A Keeley aide said the goal was to clarify questions on the 1995 law, which allowed consumers who install solar and wind energy systems to receive credit on their electric bills for power they generated. AB 1755 clarifies when utilities can require second meters at homes or businesses. The legislation also requires every electric service provider to develop a standard contract to make the contract available to customers interested in net metering.

Under net metering, the electric company measures the electricity produced and consumed. If users produce more electricity than they consumed during a billing cycle, the user has a credit on his or her utility bill.

NEW YORK – The Legislature has capped the maximum tax credit consumers can claim for installing solar energy equipment.

Under S.B. 7640, sponsored by Senator Carl Marcellino, taxpayers still are allowed state income tax credits equal to 25 percent of qualified solar electric generating equipment expenditures. Now, however, the credit cannot exceed \$3,750.

The governor signed the law on July 22.

WISCONSIN – A new state law (AB 940) passed earlier this year that requires 50 megawatts of new electric capacity to be produced from renewable energy sources is receiving an enthusiastic response from the state's largest electric power-producing utility.

Wisconsin Electric Power Company in August issued a request for proposals for up to 75 megawatts of renewable energy electric capacity, said an article in the September-October edition of *Wisconsin Energy News*. This went beyond Wisconsin Electric's 27-megawatt share required by the Public Service Commission.

Wisconsin Electric has said it plans to use responses to the request for proposals to gauge the availability and pricing of renewable power, and also fulfill many of its customers' commitment to renewable energy.

The company last year launched an Energy for Tomorrow program, in which customers pay an extra fee—some 0.7 cents per kilowatt hour—to buy power generated by renewable sources. A total of 7,500 residential and small commercial customers have signed up.

Energy Efficiency

HAWAII – The state's tax credit program for energy conservation was extended this summer by the Legislature.

Legislation (SB 2092) signed by the governor on July 14 extends the tax credit

program to July 1, 2003. The bill also set up a task force in the Department of Business, Economic Development and Tourism to explore the most cost-effective ways to support increased energy efficiency.

The task force is to include representation from the department and the solar, utilities and building industries. It is required to report its findings and recommendations to the Legislature by Jan. 1, 2002.

Senator Brian Taniguchi sponsored the legislation.

NEW JERSEY – A long-awaited bill (A-10) providing for restructuring of the state's electric utility industry would require utilities to give every customer a discount of 5 percent to 10 percent and give efforts to promote energy efficiency a boost.

The bill, introduced Sept. 14 by Assemblyman Paul DiGaetano, allows utilities to recover stranded costs from moving to a competitive marketplace and requires consumer protection standards for marketing, contracts, advertising and credit for electric power and gas suppliers. The bill also allows utilities to impose "market transition" charges to collect stranded costs for up to eight years.

In energy efficiency, New Jersey proposes to become the first state to adopt a portfolio standard similar to that adopted in other states for renewable energy. The state's Division of Ratepayer Advocates proposed a mandatory energy efficiency portfolio standard (EEPS) that would require all suppliers to deliver an amount of energy efficiency proportional to their energy sales. The portfolio standard for energy efficiency would apply equally to all electric and gas suppliers.

In most restructuring laws and legislation, energy efficiency is supported through a systems-benefit charge. However, because these charges usually are only transitional--and energy efficiency could be left unfunded if the systems benefit charge is discontinued--states are attempting to support other options such as the portfolio standard to provide more permanent support for energy efficiency.

The portfolio standard would support development of an energy efficiency market during a transitional period to competition. Proponents of the method believe it is necessary to support energy efficiency in light of the swift and substantial reductions in utility spending on demand-side management programs.

These demand-side management programs mandated utilities to provide consumers with services such as low-flow showerheads. However, in markets that are experiencing greater competition, less incentive remains for utilities without government mandates to provide these services directly to consumers. In many states, utility spending on demand-side management has declined 50 percent from peak levels in 1993 and 1994.

The energy saved from developing portfolio standards could come from any type of efficiency measure. The only requirements would be that the energy and environmental savings gained through the portfolio standard would have to be quantified, verified and reported.

The portfolio standard program proposed in New Jersey does not include trading energy efficiency credits, but a portfolio standard could be developed to include that type of provision.

Publications and Links

"Comparison of Selected Electric Restructuring Legislation," a chart summarizing different provisions of legislation in the states that have taken action on electric utility restructuring, is available from NCSL's Energy Project.

"Wind Energy System Operation and Transmission Issues Related to Restructuring," by Christopher Ellison, Andrew Brown and Nancy Rader, is available from NCSL. The paper is a joint project of NCSL and the Wind Energy Coordinating Committee.

The National Council on Competition and the Electric Industry and NCSL have produced a series of briefing papers and books about electricity issues related to restructuring and information disclosure. Titles include:

- *Public Interest R&D in the Electric Gas Industries*, by Blumstein, Scheer and Weil.
- *Regional Issues in Restructuring in the Electric Industry*, by Tierney.
- *Information Consumers Want in Electricity Choice: Summary of Focus Groups Research*, by Holt.
- *Summary Report: Baseline Survey*, by Winneg, Hermann and Chilton Research.
- *Uniform Disclosure Standards for New England*, by Austin, Moskovitz and Harrington.

Contact the NCSL Publications Department at (303) 830-2200 for information about these publications.

Want to know more about alternative fuels? The NCSL Energy Project has completed and regularly updates a Clean Cities Alternative Fuels Buyers Guide that describes alternative fuel vehicle incentives and laws. The guide is a comprehensive survey of state alternative fuel laws and state contacts. It is available online at <http://www.fleets.doe.gov/>.

For more links, please browse through our Energy Project webpage at www.ncsl.org. Select Energy and Electric Utilities from the listed topic areas.

Technical Assistance

The NCSL Energy Project is pleased to offer formal technical assistance to legislators and legislative staff on a broad range of energy issues. Project staff will provide lawmakers with current and objective information about the issues that are important to the states. Presentations may include overviews, reviews of innovative activities in other states, analysis of recent state action and discussions of energy legislation that is currently being debated. Contact the Energy Project to arrange a technical assistance program tailored to your needs.

Upcoming Events

The National Wind Coordinating Committee (NWCC) is sponsoring a meeting in Fort Collins, Colorado, October 26-27, 1998. For more information, contact Senior Energy Policy Specialist Eileen Doherty.

NCSL Energy Project

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NCSL's mission is to (1) improve the quality and effectiveness of state legislatures, (2) foster interstate communication and cooperation and (3) ensure legislatures a strong, cohesive voice in the federal system. The Energy Project within NCSL provides information, research and technical assistance to legislators to develop policies with respect to major energy, science, technology, natural resource and environmental issues.



POWERLINES

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Published by Matanuska Electric Association, Inc.

September 1998

Board appoints new MEA director

Matanuska Electric Association's Board of Directors at their August meeting appointed Wesley "Wes" Pollock of Palmer to fill the remainder of former director Frank Mielke's term, which ends next April.

Pollock has been a member of MEA since 1976. Retired from the Federal Aviation Administration, he owned Pollock's Rentals in Palmer from 1982 until last year, when he sold the business.

A member of the NRA and the Palmer Moose Lodge, Pollock has been involved with the chamber of commerce and other local activities over the years. He served four years on MEA's Nominating Committee, 1995-98. His wife, Loretta, is a school teacher in the Mat-Su Borough School District.

MEA directors voted to remove Mielke



Wes Pollock at the Alaska Rural Electric Corporative Association's Annual Meeting this August in Wasilla.

from the board July 8 because he no longer meets the residency requirements of MEA's bylaws, now that he is working and residing in Juneau. Mielke had told the board that he had accepted a full-time job in Juneau and intended to enroll his children in school there.

"When a director is removed or resigns from the board, the bylaws call for the board to appoint an MEA member to fill the position until the co-op's next annual membership meeting," said co-op spokesman Bruce D. Scott, adding that the next annual meeting is in April 1999.

Voting in favor of Pollock's appointment were directors Jim Hermon, Rose Marie "Tiny" DePriest, Vice President Bill Folsom and President Barbara J. "Tamie" Miller; voting in opposition were Rod Cottle and Craig Campbell.

Electric co-op's fifth rate decrease in 28 months

MEA lowers rates again

Matanuska Electric Association filed the paperwork in August to lower electric rates by one-quarter of a percent. This is the second rate decrease by MEA this year and the fifth since April 1996, said General Manager Wayne D. Carmony.

Carmony added that the effect of the last two rate decreases is to make MEA's electric rates for small businesses lower than those offered by Chugach Electric Association in Anchorage.

MEA is filing a "simplified rate filing" with the Alaska Public Utilities Commis-

GOOD NEWS!

sion to lower MEA's rates by 0.25 percent, effective Oct. 8. MEA lowered its rates by 1 percent the previous quarter.

Please turn to Page 2

MEA pumps \$1 million into the local economy

Matanuska Electric Association employees carried dozens of heavy gray mail bags to the Palmer Post Office at the end of August. Inside the bags were 41,500 checks totaling more than \$1 million destined for current and former MEA members.

MEA's board of directors voted in August to retire \$1,303,823 in capital credits. The checks and credits represent 2 percent of most MEA members' capital credits account balances through 1997.

Members due \$25 or less received a

Continued on Page 4

Cooperatives celebrate in October

We live in an ever-changing environment. It seems that daily we are exposed to new ways of doing things. No matter what the future brings, Matanuska Electric Association is working hard to meet the challenges of the fast-paced changes in our industry. As an electrical cooperative we have one distinct characteristic which will help us meet those challenges – we are locally owned and operated by the members we serve.

October is National Cooperative Month. A cooperative business belongs to the people who use it – people who have organized to provide themselves with the goods and services they need. All across America, 120 million people are solving problems and enjoying a better life because of their co-ops. People have formed 47,000 co-ops from electric and telephone service, to credit unions, farming, food retailing, child care and health care.

Because we are so closely linked to our communities, there are countless examples of activities that have the co-op touch; conducting safety programs at area schools, sponsoring local fairs, participating in Junior Achievement, volunteering



to help youth sports programs – the list goes on and on.

Why would MEA be involved in these kinds of activities? Because cooperatives, since their very beginnings, have always played an important role in their communities. Service means not only making sure the electricity is flowing, but making sure that the community and its citizens' needs are being met. Service means helping members, neighbors and businesses.

MEA is teaming up with Matanuska Telephone Association and Matanuska Valley Federal Credit Union Oct. 7 - 9, to celebrate National Cooperative Month. We're inviting our members to visit each of our offices for refreshments, learn more about cooperatives and get a chance to win some great prizes.

Rates decline

Continued from Page 1

Carmony said the latest filing means that a small restaurant using 4,500 kilowatt-hours (kwh) of electricity a month would pay MEA \$398.36. As a Chugach customer, the restaurant owner would pay \$442.70, an additional \$44.34 or 10.02 percent.

"The savings are greater or lesser, depending upon the amount of electricity used, but in every case, MEA's small commercial customers pay less than they would if served by Chugach," he said.

Small commercial businesses are those with 20 kilowatts of demand or less, typically referred to as "mom and pop" businesses or "mall stores," he explained. They make up the overwhelming majority of MEA's commercial accounts, he said.

Carmony acknowledged that while many of MEA's residential customers pay less for electricity than CEA's, some still pay more. He said that MEA is committed to "closing that gap."

5th grade safety poster contest in October

MEA's safety poster contest kicks off in October to coincide with National Co-op Month. Fifth-grade students throughout Chugiak-Eagle River and the Mat-Su Valley can express their artistic talents and help MEA promote electrical safety.

The grand-prize winner who creates the best poster on the theme of electrical safety will see his or her artwork professionally printed on a large poster. Along with the artist's name, the poster also recognizes the student's teacher and school. The posters are distributed throughout MEA's service area and are sent to legislators in Juneau and other electrical co-ops in the Lower 48.

All the posters submitted will be displayed at Cottonwood Creek Mall in Wasilla and The Valley River Center in Eagle River in April, leading up to the MEA's Annual Membership Meeting. Special T-shirts with the winning poster printed on them will be worn by employees at the Annual Meeting.



Leslie Carlson's 1998 grand-prize poster. Leslie was a 5th grade student at Goose Bay Elementary in Wasilla.

The posters can be either hand-drawn or computer-drawn. The contest is open to all public and private schools and home school students in MEA's service area. First-place winners of both the hand-drawn and computer-drawn posters will receive \$100 and vie for the grand prize. Five to 10 runners up will receive \$50.

CONTEST RULES

The poster must be on the theme of electrical safety. Informational packets will be available at all MEA offices and delivered to schools the week of Oct. 5 - 9.

! The poster may be any size, but 11" by 17" is preferred. No laminated posters.

! The poster must be delivered to an MEA office by 5 p.m. Nov. 11.

! Winners will be announced in March.

! Prizes will be awarded at MEA's Annual Meeting in April.

! The decision of the judges is final.

If you have any questions, contact MEA's Communications Administrator Pamela Sadloske at 745-9341.

Author: Annette Kreitzer at LAA_CAP
Date: 9/24/98 12:04 PM
Priority: Normal
TO: Janet Seitz at LAA_TRANS
Subject: From today's ADN - Just FYI

WASHINGTON (September 23, 1998 9:37 p.m. EDT) -- Some electric utilities took the opportunity during the severe heat wave this summer to engage in "questionable" profit-making tactics when areas of the Midwest were threatened with brownouts, according to federal regulators.

In a report to be submitted Thursday to the Senate Natural Resources Committee, the Federal Energy Regulatory Commission said the practices "diminish confidence that market institutions are working in a fair and nondiscriminatory manner."

The commission, however, said there is "no direct evidence" that the unnamed utilities' behavior aggravated the electricity crunch in June or was responsible for the dramatic price increases some utilities paid when they purchased power on the open market.

Instead, FERC blamed the tight supply and high prices on a confluence of events and are "not likely to recur."

Much of the problem, it said was weather-related. Power lines suffered storm damage at the same time that an unanticipated, long and unusually severe heat wave covered a broad region of the country. For instance, temperatures in Chicago, Detroit and Milwaukee were between 12 and 16 degrees above normal on June 25.

Compounding the problem, several large generating plants were out of service and many wholesale marketers defaulted on their contracts to sell electricity, the commission said.

As a result, one unnamed Midwest utility paid \$7,500 for a megawatt hour of electricity. Many others paid between \$3,000 and \$6,000 a megawatt hour for wholesale electricity that usually sells in the range of \$30 an hour.

Most states bar companies from passing those high prices on to consumers.

The shortages threatened service across Illinois and other parts of the Midwest. Both Chicago-based Commonwealth Edison and Decatur-based Illinois Power asked residential customers to turn off air conditioners for short intervals to conserve power.

During the crunch, utilities with power to sell that also controlled key transmission lines and power grids were in a prime position, and some companies apparently took undue advantage, FERC said. The commission did not name any of those companies.

Transmission systems are supposed to allow open access to other utilities trying to move electricity through their lines. But some utilities refused such access, then turned around and provided the electricity themselves at a higher price, FERC said in its report.

The commission said it doesn't see the need for new regulations such as price caps or setting standards for power marketers. But it suggested the more monitoring, regional cooperation and faster communication of prices is needed.

"Just the fact that there is a cop on the beat will help," said Sen. Dick

Durbin,

D-Ill., who requested the FERC review.

Durbin, however, disagreed with FERC's conclusion that firms trading electricity -- known as "power marketers" -- do not need to be examined for creditworthiness before they are allowed to deal on the open market.

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October 15, 1998

APD nips marijuana operation

By JILL SHAW
Alaska Star Reporter

One of the biggest marijuana growing operations in the state was busted in Birchwood by the Anchorage Police Department last week. Police were on the scene from last Thursday evening until Friday afternoon bagging marijuana plants and other evidence. A forensic team was on site collecting fingerprints and evidence.

The house on Birchwood Loop had 1,097 marijuana plants scattered around the structure and connected additions. Police speculate the suspects had been involved in the growing of marijuana for about three or four years.

The suspects have not been arrested. Police believe two or three people were responsible for the growing operation. Charges are pending. Lt. Audie Holloway of the Drug Enforcement Unit said they know who the suspected operator is but have to complete their investigation before an arrest can be made. Holloway said it would be a week or two before the investigation is complete.

The bust was a result of a Crimestoppers tip. The caller did not know how many plants were being grown, but suspected it was a "sophisticated" operation, Holloway said.

Marijuana was being grown in a "concentration" of buildings. There were plants on the first floor of the house as well as a metal building, garage and two 40-foot freight vans attached to the house. The wiring for lights connected room to room with haphazard

There was an ungodly amount of power," Holloway said. The police are also investigating the marijuana distribution.



The largest marijuana growing operation ever uncovered in Chuglak - Eagle River was raided by Anchorage Police last Thursday evening following a tip. Charges are pending as police calculate the value of the confiscated plants. PHOTO COURTESY APD

MEA offers to buy out Chugach

New cooperative would provide service, reduce costs to all customers

By LEE JORDAN
Alaska Star Editor

An offer from Matanuska Electric Association Inc. (MEA) to buy out the cooperative from which the Valley-based utility purchases the power it sells was laid on the table in a surprise move Monday. A response is due next Monday, with subsequent actions based on that response.

"We haven't had a chance to evaluate the proposal," said Chugach Electric Association spokesman Phil Steyer. "We have nothing to say about it." The proposal was not on the agenda for a scheduled joint meeting. "I guess you could say it came as a surprise."

"I can say that Chugach's plans have not changed. What's out here (in the MEA proposal) is an idea. There is a long path ahead with many hurdles and obstacles," he added.

The proposal presented Monday during a joint meeting of the two utilities' boards of directors is for a new MEA not-for-profit subsidiary just formed on Friday, Chugach Electric Power Cooperative, to acquire all Chugach assets and assume the Anchorage-based utility's outstanding debt. The new cooperative would generate and transmit power while MEA would distribute power to members of the combined systems.

Approval would be needed by members of both existing cooperatives.

Chugach was asked for a response to the MEA offer within a week.

The MEA board "is very serious about this proposal," said Barbara J. "Tamie"

Please see POWER, Page 2

POWER

Continued from Page 1

Miller, president. It is an opportunity for the customers of MEA and Chugach to save up to \$300 million in financing and other operating costs, she said.

"We can guarantee there will be no rate increase for the first three years. The base rate goes down in the fourth year and won't go up."

MEA, Miller said, "has decreased rates to our customers five times. We currently are selling power for less than Chugach charges its customers (for the same usage) even though we buy our power from Chugach."

Financing for the acquisition, Miller said, has already been assured by the Cooperative Finance Corporation, a national financial arm of utility cooperatives.

The proposal is part of MEA's strategic plan, she said. Begun more than two years ago, it was stalled during internal turmoil following the resignation of former MEA president Ted Carlson. Carlson's replacement, Eagle River resident Craig Campbell, was subsequently named as chairman of the planning committee and saw the project through to completion of the buy-out proposal.

Assistance in preparing the plan on which the acquisition is based came from an Atlanta, Ga. consulting firm engaged by MEA.

Monday's proposal is the latest in a series of maneuvers by individual electric utilities aimed at combining administrative and generating services with the stated goal of cutting costs. Under then-Mayor Tony Knowles and again under Mayor Tom Fink, the Anchorage Municipal Light & Power utility proposed various forms of merger with Chugach and MEA. Four years ago, Chugach attempted to persuade MEA members to put the issue to a vote.

MEA's idea can accomplish this where others' could not, Miller said, due to the different ways the utilities' bylaws are written. To dispose of MEA's assets by sale or merger requires a two-thirds vote of all the members under provisions

of the co-op's bylaws. Changing the bylaws requires the same margin for passage.

Chugach's bylaws, Miller said, allow the sale of its assets to another cooperative by a simple majority vote at an annual meeting. The quorum for such a meeting is 10 percent of the membership. That makes the possibility of a sale much greater than gaining a two-thirds majority — as was evidenced in previous attempts to gain voter approval to sell the Anchorage Telephone Utility and in Matanuska Telephone Association's current attempt to get approval for raising its debt ceiling to allow it to bid to buy ATU.

Two things make MEA's effort different from the MTA proposal, Miller said.

"One, the telephone industry has been deregulated for nine or 10 years, so there's not much new to be offered. And two, man's voice now can be transmitted from one cell phone to another.

"The electric industry hasn't even started to be deregulated. And nobody has figured how to make Reddi Kilowatt jump from one house to another without having a line to connect them," said the long-time utility director.

Several items remain to be worked out in discussions with the Chugach board, said MEA spokesman Bruce Scott.

"The board of directors would be expanded to 13 members. Initially, Chugach would have six members on that board," Scott said.

Chugach members, if the board reacts favorably to the proposal, would vote on the merger early next April. MEA members would vote on the proposal to change their board makeup at the April 29 annual meeting.

"We've tried to be open in the way this was presented," Miller said. "I hope the Chugach board will accept it in the way it was intended."

MEA, the board president said, "is firmly resolved to see this through to the end."



Cash Crop—

Anchorage police Thursday found 1,097 marijuana plants in various growth in this Birchwood Loop residence. Plants were growing in the area right and in attached freight vans at the location.

PHOTO COURTESY

Free preschool still has openings

By CORENNE STEWART
Alaska Star Staff Writer

Imagine a learning environment that puts your family's individual needs on its top list of priorities.

Imagine a school that welcomes—even solicits—your input as a parent, both in its official policy-making and in its day-to-day classroom curriculum.

Imagine a golden place in which your preschool child is encouraged to discover her world through a multitude of hands-on, creative-play, storybook, art- and music-oriented activities.

Picture a place where your little one is publically celebrated for who he is and how he thinks.

Now imagine the whole thing's free—costs nothing. And you needn't be on welfare to qualify. Chugiak Children's Services (CCS) still has approximately 10 openings in its Headstart preschool program.

The Chugiak - Eagle River Headstart program provides a five-day-a-week, hands-on, creative-play oriented preschool curriculum, with door-to-door bus service, for

children ages 3-5. The only stipulations are that the child must be 3 by August 15 and the family must meet federal income guidelines for Alaska or must be diagnosed as having a special need. A family of three (two parents/one child or one parent/two children) can make up to \$17,070 per year and still qualify; a family of four (any combination) can make \$20,570. The program also allows for a 10 percent over-income margin for up to six children per year.

When asked to describe the CCS philosophy, Becky Williams, Community Development Services Leader for CCS, quoted this mission: "Children, families and educators working together to develop healthy self-concepts while learning through experiences within our communities." In a nutshell, Williams said, it means "giving families and children belief in themselves—that they can go on into school and do well and that the parents can go out and get good jobs, knowing they have skills to offer."

The Headstart program, which is

just one of several programs that offers children and encourages parent participation in the classroom, kitchen and other activities.

What if parents volunteer but they feel skills required? CCS offers ongoing workshops such as parenting, family health, home and family care.

In the parent volunteer program, Williams learn methods of participation ("how to move one activity to another, discipline language, walking feet in the classroom, get a child to stop running, building) and how to convert conversation into action ("please pass the").

Those wishing to enroll a school child in Headstart should call or write for an application (in the Chugiak area) or 373-7795 (Valley.)

MEASLES

Continued from Page 1

Janice Bates, Supervisor of Health Services for the Anchorage School District, said about 9,000 more students need to be vaccinated. She anticipates a good turnout for vaccinations at the high schools this coming weekend.

"There are two goals," Bates said. "Number one is to stop the outbreak of measles and number two is to reduce the number of students

Long said the complications that result from measles are the biggest concern. Eighteen percent of people infected have to be hospitalized. Complications ranging from middle ear infections, pneumonia and brain damage can occur.

The Municipality is recommending measles inoculations for all children who do not have two docu-

GRANTS

Continued

"Denial of a grant is not a comment on the program. The grants are intended to foster new programs" and are not guaranteed to go on indefinitely, the board president said as she and Callahan debated the board's budget decision.

After Callahan challenged a reduction in the number of organizations funded this year,

was formed, also will get nothing this year.

"A whole bunch of little ones come to learn baseball and softball," said Sue May, vice president for minor and major league baseball of the youth program. The fee for each child would have to be raised if there is no subsidy from the board, she said.

failed to meet several deadlines in prior years in delays and in some cases the money that had to be reverted to the general district staff had contacts with league said, but the deadline met.

"That meant the



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As they know in Monroe, deregulation is not easy

10/26/98

By ANDREA ALEXANDER
Staff Writer

MONROE -- A pilot program that allowed the 23,000 people living in this Middlesex County community to be the first in the state to buy electricity from an independent supplier, instead of their local utility, has taught state officials an important lesson.

They learned that deregulating the electric power industry in an attempt to lower electricity bills for homes and businesses in New Jersey will not be as easy as flipping a light switch.

For more than a year, residents in Monroe have bought electricity through Connectiv Energy, a company based in Wilmington, Del., rather than GPU Energy, the utility that traditionally services Monroe.

Residents had appealed to local officials for a long time for help lowering their utility bills, but most say the pilot program did not bring the savings they hoped.

"The project is not a screaming success, but it does save us some money," said Mel Bondey, a member of the mayor's committee to monitor the pilot program.

His electric bills average \$250 a month. Under the pilot program he saved \$12.50 a month -- or \$150 a year.

But officials from the state Board of Public Utilities, the state agency that oversees the electric industry, say they used the pilot program as a learning experience before drafting the Energy Deregulation Bill, recently introduced in the Legislature by Sen. Peter Inverso, R-Hamilton. Senate hearings on the bill are scheduled to begin today.

The legislation would mandate a 5 to 10 percent reduction in costs once deregulation starts and require utility companies to refinance their debt, which would further reduce individual electric bills. The natural gas industry also would be deregulated by the legislation.

"We now have a better understanding of what suppliers are asking for and how the industry works," said Bob Chilton, director of the division of energy at the BPU. "There are intricacies to the market we first didn't understand."

STATE OFFICIALS hope to have the legislation passed by the end of the year.

According to the schedule in the bill, deregulation would begin June 1, 1999. That means customers should see the 5 to 10 percent savings next summer.

The BPU would phase in the choice program, allowing residents and businesses to choose their electric supplier over a four-month period. By October 1999, the industry should be deregulated.

The pilot program in Monroe saved residents an average of 5 percent on their electricity bill, but in a town where the average monthly bill is \$300 -- \$3,600 a year -- many said a \$180 savings seemed insignificant.

"Anything is better than nothing, but saving 5 percent on a \$300 bill is less than nothing," said Myra Monteleone, a member of the energy committee for Clearbrook, the group that petitioned the council to set up the program in Monroe.

Part of the reason bills are so high in Monroe is that most of the houses have electric heat, which is more expensive than gas. The high bills are a particular hardship in the township because most residents are senior citizens living on fixed incomes.

"This is supposed to be my golden years, but it's become my rusty years," Monteleone said. "Half of my Social Security check goes to pay utilities. To save money, I keep my heat low and have to sit in my house wrapped in a blanket. Why should I have to live this way?"

The pilot program was supposed to expire in September, but the BPU has extended it for three months. Some changes were made in the program to get officials from GPU to agree to the extension.

The estimated savings were cut from 5 percent to 3 percent, and GPU shareholders will no longer have to bear the burden if the company loses any money. Any losses will be spread among all customers served by GPU.

"We did (the pilot program) for a year and we are not in business to lose money," said GPU spokesman Ron Morano. "But we worked hard to accept the terms and extend the project."

HARRY PRAY, a Monroe resident, called the cut in savings an insult to residents in the township. "The utilities make a lot of money and have stuck us with a bad deal," Pray said.

Township officials also were unhappy with the BPU decision to extend the pilot program for only three months and asked the state to let the program run until real competition begins, said Fred Brunner, director of facilities and utilities for Monroe.

Geraldine Mehu, BPU spokeswoman, said the board has received the

request and will consider it.

The BPU's Chilton said things will be different once the energy deregulation bill passes. For instance, residents in Monroe did not have a real choice in picking their supplier because township officials negotiated the deal on their behalf.

There is actually some support for having local officials work with a group of residents in buying energy, a practice called "aggregation." But under the new bill, local officials won't be able to work with residents for three years -- until kinks in market competition are worked out, Chilton said.

"Some people felt they were forced into the program," Chilton said. "We want market competition to work itself out before allowing a town to group its residents together as a way of getting cheaper prices."

Chilton said there was some concern that residents in a township would be forced into a program if their government entered into a contract with a supplier.

Instead, New Jersey residents who want to band together to buy electricity would be able to do it through their church, neighborhood association, credit card company or other private group.

"Once the market is open, residents in Monroe will have the same opportunity as everyone else, and the pilot program won't be necessary," Chilton said.

But Monteleone and others want municipal aggregation to continue. "The government is not taking care of ratepayers," she said. "Residents won't be able to get a discount if they can't aggregate."

The three components of an electric bill, Chilton said, are as follows:

- Transmission: the movement of electricity through power lines.
- Distribution: the delivery of electricity from power lines to a home.
- Generation: the actual production of electricity.

Because local utilities own and maintain the wires, they would continue to be responsible for transmission and distribution. But under deregulation, residents would be able to choose the company that generates their electricity, which is 60 percent of an electric bill.

THERE COULD be additional savings because the deregulation bill would require utility companies to refinance their stranded costs.

Those costs can be broken down into two categories: money invested for capital projects -- like nuclear power plants -- and money lost on contracts to buy alternative sources of energy that utilities were forced into by the federal government.

Utilities must pay off their debt from capital projects in eight years and pay off their contracts in 15 years. That means residents could eventually see an additional \$20 reduction in their bill.

In a regulated market, the BPU determines the amount of profit a company

is allowed to make each year. If the utility is losing money on a deal, customers make up for the loss. The system was set up that way because utility companies have to provide service to all customers, even the ones with bad credit ratings.

But in the deregulated market, utilities will have to deal with bad investments like any other company, Chilton said.

"In the future, if the utility guesses wrong on the deal, they will have to eat it. If they guess right, they will make money," he said.

Chilton said open competition should reduce electric bills even further.

"By opening a competitive market, companies will be encouraged to find new and more efficient ways of generating energy, and the cost of generating electricity could decrease," he said.

There is one additional factor that will determine the savings that residents see, a factor no one can predict: the market value of energy.

Chilton said the cost of energy is the lowest it has been since the 1970s because new technologies and changes, plus global factors, have driven prices down. But if prices rise for some unforeseen reason, the estimated savings could be less.

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CHUGACH ELECTRIC ASSOCIATION, INC.

October 22, 1998

Dear Member:

As you may have recently read in the press, Matanuska Electric Association, Inc. (MEA) has made a proposal to acquire Chugach's assets. Your Board of Directors decided last night to evaluate the MEA proposal thoroughly and in order to do so, has requested essential information from MEA. We will also be looking carefully at other opportunities available to Chugach. We enclose, for your information, a copy of Chugach's press release and letter to MEA on this subject.

The Board has reached no conclusions on the merits of the proposal at this time. The proposal is complex and does not lend itself to a snap decision. The proposal has several components each of which must be carefully examined. For example, the proposal appears to include a \$500 distribution for every member of Chugach. Your Board realizes that this suggestion may, on its face, appear attractive. However, it is our understanding that the \$500 would be paid for out of borrowed funds, and so one particular question among many is whether that is the best use of your company's funds and what impact it would have on rates.

Please rest assured that we will keep an open mind in our consideration of what is in the best interests of our members. We will carefully consider all relevant issues, with our staff and expert outside advisers, in the coming days and weeks. We are committed to moving promptly on this matter but not rushing to judgment. Our goal is to identify the overall strategy which achieves our stated mission to continue to provide competitively priced, reliable energy and services to our members.

When your Board has reached a conclusion as to the most appropriate course of action for our members, it will make a further announcement. In the meantime, we appreciate your continued patronage and support.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Patricia Jasper".

Patricia Jasper
President, Board of Directors



CHUGACH ELECTRIC ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

FOR IMMEDIATE RELEASE

October 21, 1998

FOR MORE INFORMATION, CONTACT

Eugene N. Bjornstad, General Manager

762-4709

CHUGACH BOARD BEGINS EVALUATION OF MEA PROPOSAL

During an executive session of its regularly scheduled meeting on October 21, 1998, the board of directors of Chugach Electric Association, Inc. discussed the unsolicited proposal of Matanuska Electric Association to acquire Chugach's assets. Following that session, Chugach board president Pat Jasper announced that the Chugach board is committed to a thorough examination of the MEA proposal and other opportunities available to Chugach and that Chugach is working with the investment banking firm of Goldman, Sachs & Co. and the consulting arm of Deloitte & Touche in that process.

Noting that the only information provided so far by MEA concerning its proposal was presented in a joint meeting with Chugach's board and General Manager last week and in statements by MEA reported in the public media during the past week, Ms. Jasper indicated that Chugach will invite MEA to submit additional information to clarify the terms of its proposal and will continue to consult with its own staff and outside advisers to determine what course of action will be in the best interests of Chugach's members.

Chugach's board intends to continue the process of considering the MEA proposal at an executive session on November 4. The board intends to complete this process on a timely basis, but in a manner consistent with its determination to perform the careful analysis required. When the board has reached its conclusion as to the most appropriate course of action for its members, it will make a further announcement.

Chugach also released the text of a letter that it is sending to MEA today.

Chugach is the largest electric utility in Alaska. Chugach serves retail consumers at more than 68,000 metered locations from Anchorage to the northern Kenai Peninsula, and from Whittier to Tyonek. Chugach provides power to residents from Homer to Fairbanks through wholesale and economy energy sales to other utilities throughout the Railbelt.

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CHUGACH ELECTRIC ASSOCIATION, INC.

October 21, 1998

Barbara J. Miller, President
Matanuska Electric Association, Inc.
P.O. Box 2929
Palmer, Alaska 99645

Dear Ms. Miller,

Enclosed for your information is a press release issued by Chugach this evening that describes the outcome of the board's initial discussions of MEA's unsolicited proposal to acquire the assets of Chugach. As indicated in our press release, the Chugach board is committed to a thorough examination of your proposal and other opportunities available to Chugach.

In order for the board and its advisers to analyze your proposal with the appropriate degree of thoroughness, we need additional information. Our senior staff, in consultation with our outside advisers, is in the process of putting together a preliminary list of that information and we intend to provide you that list by early next week.

We hope that MEA will give Chugach the requested information promptly in order to assist the board and its advisers. At last week's joint board meeting at which we heard of your proposal for the first time, MEA indicated that it is not willing to give Chugach's senior staff access to information in its possession relating to its proposal. The board has directed me to make clear to you that the board is unwilling to accept any limitation on the individuals with whom it chooses to consult and share this information. Such limitations are clearly inconsistent with the board's right and duty to confer with appropriate advisers. We hope that you will reconsider your position and decide to assist the board in analyzing your proposal. Our staff has significant expertise and information that we need to utilize in making our decision on your proposal. We find it perplexing that you consider some of this information relevant enough to display in overheads at our joint board meeting but at the same time want to withhold this information from our senior staff.

We also hope you will abandon your insistence that in order for us to have access to this information our consultants must personally visit your consultants in Georgia. Such a procedure involves an inordinate waste of time, effort and money on Chugach's part and would operate as a further limitation on the availability of the information to our staff and advisers.

Ms. Barbara J. Miller
October 21, 1998
Page 2

We do not think it is constructive for you to attempt to impose the ground rules under which the Chugach board will discharge its responsibilities. We hope you will respond to our information request in the spirit of cooperation that the Chugach board displayed as it began to consider MEA's proposal tonight.

In order to expedite the efficient distribution of any further communications from MEA concerning its proposal, we ask that you direct them to Gene Bjornstad.

Let me reiterate on behalf of the entire board that we are serious about our examination of your proposal, but we expect our seriousness to be reciprocated.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Pat Jasper', written in a cursive style.

Patricia Jasper, President
Board of Directors

Materials
Not
in packet

17 NOV 1998

NOV 17 1998

November 3, 1998

To Whom It May Concern:

I am writing to express my concerns regarding the possible deregulation of the electrical industry in Alaska. As a lifelong resident of Alaska, I have great appreciation for the existing high levels of service and reliability and low cost of this essential and critical commodity. Deregulation will put severe pressure on all utilities to cut costs dramatically in an effort to provide power at the lowest possible rates. I pay for reliability, safety and service. I am not willing to compromise these factors to save a few pennies off my monthly bill.

This is not about free markets or competition, but rather it is auctioning off the public interest to not the highest bidder, but the lowest bidder. The large power users will benefit from lower rates while the rest of us see insultingly small rate reductions or possibly even rate increases. I am not willing to subsidize the large power users who are currently and will continue to be wined and dined and courted at our expense. The average customer gains nothing (in fact loses both in service levels and reliability).

Alaska is not on a major grid system. There is not a lot of room to manipulate the profit margins in such a small market. Despite all the sweet rhetoric, it is my opinion that over time the residential users will be squeezed more and more to help keep the costs for the large (preferred) users as low as possible. This is wrong. The utilities of Alaska belong to all of us, not just those with the most money or the most political clout. Electricity is a life-essential commodity that should not be manipulated and put at risk for the benefit and profit of a few.

I am opposed to deregulation of any form, including any test or trial periods. It is my opinion that this is a move in the wrong direction for Alaska and all Alaskans.

Sincerely,

Jerry Henke
Jerry Henke
14960 Mossberry Pl.
Anchorage, AK.
99516

11-11-98

To Norman Rokeburg,

We support Chugach Electric
in its efforts to allow us to
Choose Our electric Utility.

We ask you give this close
consideration and that you listen to
the people.

Thank you,
Nadine & Thomas Weeks

NADINE WEEKS
P.O. Box 110891
Anchorage, AK 99511-0891

NOV 13 1998



Why the rush?

We asked Chugach Electric's Board, which has been weighing our acquisition offer since Oct. 12, to give us some indication by Nov. 2. They didn't and now they say we are rushing them. When CEA is losing your money at the rate of \$10,000 a day on bond interest that is way too high, shouldn't someone move quickly?



Matanuska Electric Association

ADDN
10 NOV
1998

P-
A-5

\$280,000

At a rate of \$10,000 a day, this is how much Chugach Electric Association's inaction has cost co-op members in unnecessary interest expense since October 12, 1998. That's the date MEA submitted a proposal to acquire CEA assets and refinance CEA's long-term debt.

This money belongs in the pockets of co-op members.



Matanuska Electric Association

ADDN 10 NOV 1998 P. B-5

\$290,000

At a rate of \$10,000 a day, this is how much Chugach Electric Association's inaction has cost co-op members in unnecessary interest expense since October 12, 1998. That's the date MEA submitted a proposal to acquire CEA assets and refinance CEA's long-term debt. This money belongs in the pockets of co-op members.



Matanuska Electric Association

ADN 11 NOV 1998 p.f-5

ADN
11 NOV 1998
p. F6

MEA'S OFFER TO CHUGACH MEMBERS:

Savings You Can Take To The Bank And Full Voting Membership In MEA.

AT LEAST \$200 MILLION IN SAVINGS

Chugach Electric Association is paying 9% interest on almost a quarter-billion dollars of bond debt. That rate is way too high. This debt should be refinanced because it affects your utility bills and the cost of wholesale electricity Chugach sells to MEA.

Why hasn't it been done? Chugach's answer—in an October 31 Daily News article—was it can't be done without raising your electric rates. That doesn't make sense.

MEA can refinance this debt without raising electric rates, and our bankers have committed the money. This will save members of both co-ops \$10,000 a day in interest payments. That's \$100 million over the next 25 years. By operating one co-op instead of two, we can save another \$10,000 a day, for a grand total of at least \$200 million over the next 25 years. This is why we want to acquire CEA's assets and have you become an MEA member. The savings are too big to pass up.

A \$500 CHECK FOR EVERY MEMBER

These savings belong in your pocket. That's why, with regulatory approval, we will cut a \$500 check for each qualified member as soon as the deal closes.* If regulators say no, we'll find another meaningful way to give you these savings. We also will commit to no rate increases for at least three years, with a possible rate reduction in the fourth.

FULL MEMBERSHIP PRIVILEGES

You will receive full membership in MEA, which means you can vote on how your co-op is run, elect board members, or even run for a board seat yourself. Your capital credits account will remain completely intact, and you will be glad to know that MEA has issued capital credits checks to its members every year for the past 16 years, totaling \$19.5 million. How many checks have you seen from Chugach?

THE RIGHT TO CHOOSE YOUR UTILITY

In a letter he wrote to the Anchorage Daily News on February 3, CEA General Manager Eugene Bjornstad said: "As a member-owned cooperative, Chugach is comfortable with the idea of customer choice and will be relying on citizens to tell policy makers they would like to choose their utility." He went on to say: "Customer choice is an idea whose time has come."

Tell Mr. Bjornstad you agree with him, and you want the right to vote on MEA's offer. Sign a petition when it comes to your door or where you shop. If you would like to circulate a petition, call MEA at 1-800-478-5150.

*The \$500 payment per membership, whether an individual or joint account. Members must meet three conditions: 1) You must have been an active member of CEA or MEA on 10/1/2008. 2) You must be an active member of MEA or CEA on the day CEA members approve the sale. 3) You must be an active member of MEA on the day the transaction becomes final. This means CEA members will have to join MEA by the time the sale closes.

P.O. Box 2929 Palmer, Alaska 99645
Palmer: 745-3231 • Eagle River: 694-2161 • Wasilla: 376-7237
Big Lake: 892-7398 • Anchorage Toll Free: 1-800-478-5150
www.matanuska.com



Matanuska
Electric Association

THE POWER OF AN IDEA WHOSE TIME HAS COME.

ADN
12 NOV 1998 PA-11

Why the rush?

We asked Chugach Electric's Board, which has been weighing our acquisition offer since Oct. 12, to give us some indication by Nov. 2. They didn't and now they say we are rushing them. When CEA is losing your money at the rate of \$10,000 a day on bond interest that is way too high, shouldn't someone move quickly?



Matanuska Electric Association

\$300,000

At a rate of \$10,000 a day, this is how much Chugach Electric Association's inaction has cost co-op members in unnecessary interest expense since October 12, 1998. That's the date MEA submitted a proposal to acquire CEA assets and refinance CEA's long-term debt. This money belongs in the pockets of co-op members.



Matanuska Electric Association

ADN
12 NOV 1998 PB-7

Why the rush?

We asked Chugach Electric's Board, which has been weighing our acquisition offer since Oct. 12, to give us some indication by Nov. 2. They didn't and now they say we are rushing them. When CEA is losing your money at the rate of \$10,000 a day on bond interest that is way too high, shouldn't someone move quickly?



Matanuska Electric Association

Anchorage Daily News
13 Nov 1998
Page A-4

\$10,000

This is how much Chugach Electric Association is losing
every day by not refinancing its long-term debt.
This money belongs in the pockets of co-op members.



Matanuska
Electric
Association

Anchorage Daily News
14 Nov 1998
p. F-3

CEA members need answers

Members of Chugach Electric Association need answers!

Why the sudden assault by the Matanuska Electric Association on us CEA members to merge with MEA?

CEA is "us." CEA was here when there were fewer than 20,000 people spread out from Girdwood to Chugiak, assisting when they could to serve the then very rural CEA area. We grew, and CEA followed with our electrical needs. They weren't always right or even helpful in some folks' views; however, they ("we") were there.

Now there are over 250,000 folks in the greater Anchorage area. We are mostly "urban-suburban" and electric service is almost everywhere, served by CEA or Municipal Light & Power. CEA has been through hard times in the past, as we all have sometimes.

CEA seems OK now. Is there some secret? Why do we suddenly need "rescue" by an electric co-op that still faces major rural electrification challenges in its own service areas? MEA promises to give all CEA members \$500 cash? What "prize" are they after? Whose best interests are served when a media sales pitchman tells you that "you must act now"? Why does this corporation urgently desire to "help" us? What role will you (a CEA member) have if MEA swallows your CEA? And what is the rush to vote on a merger before the facts are given to the CEA public?

You own CEA. You had better take a close look at what you have now at CEA and what you may have at MEA if you vote to sell for your \$500. Certainly, some folks won't be here in three to five years and might be willing to give their vote for \$500 cash now. However, the public good of our area would be better served by slowing down long enough to provide CEA members with all the facts — before we decide what should be done, if anything.

I would welcome factual answers and some discussion.

— Dennis Comeau
Anchorage

Anchorage Daily News
15 Nov 1998
P. F-3

Change on horizon for co-ops

The public has been asked to weigh the facts in the ongoing electric utility co-op positions between the Matanuska Electric Association and the Chugach Electric Association regarding the possible merger of the two co-ops. What was not published is the impact of the merger on management consolidation.

When I was employed by CEA as an electric distribution supervisor (1983-87), there were discussions of merging with Municipal Light & Power. The objective was to resolve the wasteful duplication of overlapping service areas. We were assured that by normal attrition, the middle management positions would be stable, power rates would fall and electric service reliability would be improved.

The concept of combining the electric utilities has merit. The question still unresolved is why CEA has not gotten the lower bond interest rate on its own.

The ongoing Alaska State Legislature joint committee on Electric Utility Restructuring is working to put together a proposal to the Legislature by early January 1999 that could affect all the electric utilities in Alaska. Keep in mind that change will come, and the public must be heard before it is too late. For guidance, see the October issue of Consumers Research magazine. Read also Eric Yould's Compass piece in the Oct. 13, 1997, Daily News. He is the executive director of the Alaska Rural Electric Cooperative Association.

I favor the consolidation of the utilities in the Railbelt area but not unregulated competition that would not benefit the homeowners and small business. In time, we may see the added benefits of reviving the Susitna hydroelectric project and seeing a further decrease in electric utility rates. This would also permit us to export surplus liquified natural gas and help Third World nations meet the Kyoto objectives to reduce world pollution.

--- Henry P. Lang
ML&P consumer
Anchorage

Anchorage Daily News
15 Nov 1998
p. F-4

A MESSAGE TO CHUGACH MEMBERS:

ADN
15 NOV 1995
PA-8

They Just Don't Get It.

- Chugach Electric doesn't know how to refinance interest debt that is way too high—without raising your utility rates.
- They don't know how to manage two utilities more efficiently than one—without cutting a lot of jobs.
- They don't know how to manage Chugach so they can lower rates and issue capital credits checks regularly.
- And they can't come up with a plan that will put a \$500 savings check in every member's pocket.

MEA can do all these things. And Chugach doesn't like it.

So they are publicly dismissing our proposal to acquire Chugach Electric Association, calling it "deceptive and misleading."

Chugach says our financial model is "flawed"—that the numbers don't work. But a \$10 billion cooperative banking institution, familiar with both utilities, reviewed these numbers and has agreed to provide the financing.

Chugach complains they need more details from us. Do they want us to show them how to do a job they've ignored until now?

And now they are telling you not to petition for the right to decide for yourself. What are they afraid of?

Our offer is very simple.

Better management. No rate increases for three years. A possible rate reduction in the fourth. More than \$200 million in savings over 25 years. A \$500 savings check for every qualified member,* as well as voting and all the other rights of MEA member/owners.

Don't let half-truths from Chugach fool you. After all, their Board and management are worried about losing their jobs. You, however, have nothing to lose—and a bigger, better co-op to gain.

We welcome your questions and comments.
Please call us toll-free from Anchorage: 1-800-478-5150



**Matanuska
Electric Association**

THE POWER OF AN IDEA WHOSE TIME HAS COME.

*Subject to regulatory approval. One \$500 payment per membership, whether an individual or joint account. Members must meet three conditions:
1) You must have been an active member of CEA or MEA on 11/12/95. 2) You must be an active member of MEA on the day CEA members approve the sale. 3) You must be an active member of MEA on the day the transaction becomes final. This means CEA members will have to join MEA by the time the sale closes.

\$10,000

This is how much Chugach Electric Association is losing
every day by not refinancing its long-term debt.
This money belongs in the pockets of co-op members.



Matanuska
Electric
Association

Anchorage Daily News
16 Nov 1998
P A-5

ADN 17 NOV 1998 p A-5

\$10,000

This is how much Chugach Electric Association is losing
every day by not refinancing its long-term debt.
This money belongs in the pockets of co-op members.



Matanuska
Electric
Association

Anchorage Daily News
17 Nov 1998
Page A-5

JOSEPH HODGE
3727 W. 74TH AV.
ANCHORAGE, ALASKA 99502

NOV 1 1998 November 5, 1998

To whom it may concern:

As a residential customer, I am opposed to deregulation of the electrical utility industry. I am concerned that this is in essence a tax on the working citizens of Alaska. The large commercial and industrial users are currently and will continue to be the preferred customers and will be the primary (and most likely only) beneficiaries of any rate reductions. The residential and small commercial users will not be in a position to effectively negotiate for lower rates and increased reliability.

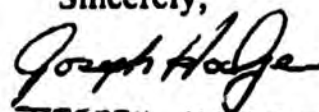
I am also concerned that the reliability and safety of the electrical systems will be severely compromised as utilities cut maintenance costs in an effort to provide the lowest cost power. This may be acceptable in a region where the climate is not potentially life threatening, but extended power outages during an Alaskan winter can be disastrous.

Experience with limited deregulation in the lower 48 indicates that the preferred (industrial/commercial) customers will not only benefit from lower rates, but they will often negotiate for increased reliability, all at the expense of the average residential customer. Areas of the country where deregulation is in effect have proven that the residential customers are not cost effective. The power providers pick the high-profit industrial and commercial customers and the rest of us are left with reduced levels of service at higher cost. This is a tax of the worst sort where the less fortunate support the privileged.

I understand that consideration is being given to a limited form of deregulation on a trial basis. I wish to state my opposition to this and any form of deregulation – once the door is open it will never close and the voice of the average citizen will be forever silenced on this issue.

I wish to express my gratitude to the committee for the solicitation of input from the general public. I urge you to take a cautious approach and make an effort to educate the general public on this far-reaching and complex issue before proceeding any further. It is my belief that if the public truly understood the ramifications of a deregulated electrical industry in Alaska they would be vehemently opposed to this thinly disguised corporate welfare.

Sincerely,


JOSEPH HODGE

\$10,000

This is how much Chugach Electric Association is losing every day by not refinancing its long-term debt. This money belongs in the pockets of co-op members.



Matanuska
Electric
Association

ADN
18 Nov 1998
P.B-5

\$360,000

At a rate of \$10,000 a day, this is how much Chugach Electric Association's inaction has cost co-op members in unnecessary interest expense since October 12, 1998. That's the date MEA submitted a proposal to acquire CEA assets and refinance CEA's long-term debt. This money belongs in the pockets of co-op members.



Matanuska Electric Association

ADN
18 NOV
1998
PF-3

A MESSAGE TO CHUGACH MEMBERS:

They Just Don't Get It.

ADN
18/10/1998
P. A-8

- Chugach Electric doesn't know how to refinance interest debt that is way too high—without raising your utility rates.
- They don't know how to manage two utilities more efficiently than one—without cutting a lot of jobs.
- They don't know how to manage Chugach so they can lower rates and issue capital credits checks regularly.
- And they can't come up with a plan that will put a \$500 savings check in every member's pocket.

MEA can do all these things. And Chugach doesn't like it.

So they are publicly dismissing our proposal to acquire Chugach Electric Association, calling it "deceptive and misleading."

Chugach says our financial model is "flawed"—that the numbers don't work. But a \$10 billion cooperative banking institution, familiar with both utilities, reviewed these numbers and has agreed to provide the financing.

Chugach complains they need more details from us. Do they want us to show them how to do a job they've ignored until now?

And now they are telling you not to petition for the right to decide for yourself. What are they afraid of?

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Don't let half-truths from Chugach fool you. After all, their Board and management are worried about losing their jobs. You, however, have nothing to lose—and a bigger, better co-op to gain.

We welcome your questions and comments.
Please call us toll-free from Anchorage: 1-800-478-5150
between 8AM and 5PM Monday-Friday.



**Matanuska
Electric Association**

THE POWER OF AN IDEA WHOSE TIME HAS COME.

*Subject to regulatory approval. One \$500 payment per membership, whether an individual or joint account. Members must meet three conditions:



STAUDENMAIER'S

ELECTRIC MERGER COMMITTEE

1303 West 33rd Street, Suite 205

P.O. Box 140170, Anchorage, Alaska 99514-0170 Phone 1-907-276-2212, Fax 1-907-276-0245

February 1994

ARE YOU SATISFIED WITH YOUR MONTHLY BILL?

IF THE ANSWER IS NO, THEN READ ON!

CUT YOUR MONTHLY ELECTRIC BILL A MINIMUM OF 50% TO 80%

HOW?

**VOTE into law, the full implementation of
Staudenmaier's Electric Merger Plan**

Staudenmaier's Electric Merger Plan shall give the Alaskan people who reside in Southcentral and the Interior of Alaska a power grid that is in complete form, functional, and reliable. Staudenmaier's Electric Merger Plan shall provide the basic foundation for the **total industrialization** and **economic development** in Southcentral and the Interior of Alaska for the next 100 years.

"REMEMBER"

Staudenmaier's Electric Merger Plan means **true local hire**, the **creation of tens of thousands of new jobs** for present and future Alaskans. The abundance of cheap power is the best resource the State of Alaska and her residents can offer any industrial enterprise.

We want to give **all** the electric co-op **member/owners** of Chugach Electric Association Co-op, Inc. Matanuska Electric Association Co-op, Inc., Homer Electric Association Co-op, Inc., Copper Valley Electric Association Co-op, Inc. Cordova Electric Association Co-op, Inc., the **voters** of the Municipality of Anchorage, the **voters** of the City of Seward, and the **voters** of the City of Fairbanks **"the Right to Vote"** on **whether** or not they want to **merge ten (10) electric managerial organizations into two (2)**, for the dual purpose of **streamlining and cutting your monthly electric bill 50%-80%**.

STEP ONE OF STAUDENMAIER'S ELECTRIC MERGER PLAN

Decision 94 & 95

Sell the Anchorage Municipal Light and Power (ML&P) its total current and accrued assets, at fair market value to Chugach Electric Association Co-op, Inc. (CEA), the surviving power co-op in Southcentral Alaska.

**A Positive Solution To Reduce Your Monthly Electric Bill!
The Aim of Staudenmaier's Electric Merger Committee is a Simple One!**

Authority for This Vote

Anchorage Municipal Charter, Municipal utilities Article XVI, Section 16.2 Disposal of Utilities: "The Municipality may sell, lease, or otherwise dispose of a municipal utility only pursuant to an ordinance or initiative proposition approved by three-fifths (3/5) of the qualified voters voting on the question. **If the disposal of the utility is by ordinance, the Municipality may dispose of a municipal utility only to the highest responsive bid received by the Municipality from a responsible bidder to a competitive procurement. The Assembly shall provide for such competitive bidding by ordinance, and shall provide a description of the factors that will be considered in evaluation of the bids, including the relative weight of price and other evaluative factors.**"

COMMISSION COMMENTARY ON ANCHORAGE MUNICIPAL CHARTER

An Aid to Legislative History, to Assist in the
Interpretation of the Charter Document.

August 20, 1975

Section 16.02: This section permits the **sale of a utility** to be started by **initiative**. A valid initiative petition would go directly to a vote on the question of sale with three-fifths (3/5) of the vote required for approval.

Rationale

The sale of the (ML&P) assets to (CEA) shall permanently terminate and eliminate the duplication that now exists between Chugach Electric Association and the Anchorage Municipal Light & Power in the areas of staffing, field crews, power lines, legal disputes over territorial boundaries, headquarters facilities, equipment, top management and consulting services. Taxpaying Anchorage residents from the Knik River Bridge to Girdwood own (ML&P). As taxpayers, the electric consumers who reside in Eagle River, Chugiak, Peters Creek, Fire Lake and Eklutna also own the Anchorage Municipal Light & Power, since they too pay taxes to Anchorage Municipality. These consumers are prohibited from purchasing power at reduced rates by management regulation, (APUC enforced Government Regulators) which forces them to purchase their electric power from Matanuska Electric Association, Inc. (MEA) in Palmer, Alaska. (MEA) in turn, purchases electric power wholesale from (CEA). Meanwhile, for the last twenty-five (25) years (CEA) and (ML&P) sued each other over turf lines in the Anchorage Bowl. **WHO BENEFITS THESE LAWSUITS? PARASITIC SHYSTER PETTI-FOGGING LAWYERS, WHO FEED OFF OUR TOILSOME WORK!**

Electric power consumers from the Knik River Bridge to Girdwood own Matanuska Electric Co-op, Inc. and Chugach Electric Co-op, Inc. as member/owners. The Alaskan residents who reside within the Anchorage Municipality own the Anchorage Municipal light & Power as taxpayers and voters. Yet the ratepayers have **absolutely no control** over this **wasteful duplication of facilities** — except to **sell off** ML&P to CEA by initiative ballot as specified in Section 16.02 of the Municipal Charter.

A Positive Solution To Reduce Your Monthly Electric Bill!
The Aim of Staudenmaier's Electric Merger Committee is a Simple One!

ML&P customers in Anchorage will become CEA consumers and will pay the same electric rates as CEA ratepayers in Anchorage.

The reason is simple. All Anchorage residents from the Knik River Bridge to Girdwood **own** the Municipal Light & Power; its assets stay in Anchorage taxpayer pockets, since the same Anchorage consumers won all three electric utilities.

Tom Stahr, Anchorage Municipal Light & Power General Manager, who reported to former Mayors Sullivan and Knowles and now reports to Anchorage Mayor Tom Fink, states: "**I believe a merger could result in up to \$60 million in savings to consumers by avoiding duplications and improving planning capabilities.**" Alaska Construction and Oil, December 1983, page 13. **THIS STATEMENT BY TOM STAHR IS EITHER FACT OR TOM STAHR IS A PUBLIC LIAR.**

CONCLUSION

The majority of residents of the Anchorage Municipality from the Knik River Bridge to Girdwood are prohibited from purchasing power from the Anchorage Municipal Light & Power.

YET WE OWN IT!

STEP TWO OF STAUDENMAIER'S ELECTRIC MERGER PLAN

Sell the City of Seward electric enterprise, **its total and accrued assets** to Chugach Electric Co-op, Inc. at fair market value.

Authority for this vote: Seward City Charter, Chapter 4: City legislation, Section 4.6: Initiative and referendum; Chapter 13: Public utility services; Section 13.4: Disposal of municipal utility plants and Utility Property:

"The Council may **sell**, lease, or otherwise dispose of a municipal utility or of property and interest in property used or useful in the operation of a utility **only after** a proposition to do so is **approved by [three-fifths (3/5)]** of the **electors** of the city voting on the proposition.]"

Rationale

Chugach Electric Co-op **supplies 100% of all the power needs at wholesale price** for the City of Seward and Moose Pass. Chugach Electric Co-op will upgrade Seward's electric system to the standards of Chugach Electric System. All Seward electric consumers inside and outside of Seward to Moose Pass will become **voting** CEA member/owners/consumers and pay the **same cheap electric rates** as CEA ratepayers pay in Moose Pass, Cooper Landing, and in Anchorage. Chugach Electric has agreed to maintain the generators in the City of Seward on a year-round basis.

A Positive Solution To Reduce Your Monthly Electric Bill!
The Aim of Staudenmaier's Electric Merger Committee is a Simple One!

STEP THREE OF STAUDENMAIER'S ELECTRIC MERGER PLAN

Merge Chugach Electric, Inc., Matanuska Electric, Inc., Homer Electric, Inc., Copper Valley Electric, Inc., Cordova Electric, Inc., into one management organization to be called "**The Alaska Southcentral Electric Co-op, Inc.**" Chugach Electric Association, Inc. shall be designated the **Surviving Cooperative.**"

AUTHORITY FOR THIS VOTE

Title 10, Alaska Statutes, Chapter 5, Electric and Telephone Co-op Act, Article Two: Merger and Consolidation, Section 10.25.240 and Section 10.25.280.

Rationale

First

Chugach Electric Association is very poorly run, like all other electric utilities in Southcentral Alaska. The dual purpose of designating CEA as the Surviving Cooperative is to **keep in force a cheap gas contract at the Beluga Station** across Cook Inlet from Anchorage. This cheap gas contract, if broken, could cost electric customers in Southcentral Alaska approximately 300 million dollars. **This gas contract should and must be protected at all costs.**

Second

Chugach Electric Co-op systems are in place, i.e.: An 8-million dollar headquarters/office complex, a multimillion dollar IBM mainframe computer system, along with Chugach Electric's new SCADA system utilizes the most modern technology to provide continuous information to central dispatch personnel on all aspects of Chugach's generation and transmission facilities. The SCADA system consists of two mainframe computers, a status board and control terminal at the central dispatch headquarters facility, as well as remote terminal units at every Chugach power plant and substation. The system is linked by a network of microwave communications facilities, and has the capability to expand as the Chugach power supply system continues to grow.

The Alaska Southcentral Electric Co-op shall be a nonprofit organization, and shall not compete with any profit-making organizations. Labor productivity is greater in private industry.

The end result shall be a one (1) eleven (11)-member board of directors elected by District (under the 1992 reapportionment of the Alaska State Senate) one (1) general manager, three (3) separate divisions [Generation, Distribution-Transmission, Administration, with one (1) computer system].

Savings to you; \$20 million per year in duplication. The merger vote shall take place at a special meeting of CEA, MEA, HEA, CVEA, and HEA members. You, as an Alaskan consumer shall own and retain total control of this co-op in Southcentral Alaska.

**A Positive Solution To Reduce Your Monthly Electric Bill!
The Aim of Staudenmaier's Electric Merger Committee is a Simple One!**

The Alaskans who live, raise their families, and reside in Southcentral Alaska south of the Denali Highway, do not need eight (8) managerial organizations for essentially one power source!

STEP FOUR OF STAUDENMAIER'S ELECTRIC MERGER PLAN

The City of Fairbanks, Alaska shall sell at fair market value and dispose of the total current and accrued assets of the Fairbanks Municipal Electric Utility, (FMEU) to the Golden Valley Electric Association Co-op, Inc.

AUTHORITY FOR THIS VOTE: CITY OF FAIRBANKS, ALASKA HOME RULE CHARTER

Article XII Initiative referendum and recall Section 12.1, Section 12.2 Supplemental No. 33 (Fairbanks 10-89) and Article VIII Fiscal Administration Section 8.4 Supplemental No. 16 (Fairbanks 2-86): "An entire public utility owned by the city shall not be sold or leased except by authority of an ordinance ratified by a majority of the qualified voters voting on the question."

Rationale

The Alaskans who live, raise their families, and reside in the Interior of Alaska north of the Denali Highway, do not need two (2) managerial organizations for essentially one power source!

STEP FIVE OF STAUDENMAIER'S ELECTRIC MERGER PLAN

Sell all excess headquarters buildings, office furniture, and fleet automotive equipment at public auction. Use proceeds for debt retirement.

Rationale

The utilities are already working closely together, but their costs are high because each maintains a separate organization. **Staudenmaier's Electric Merger Plan is based upon a simple set of facts.** The increased cost of power in Southcentral and interior Alaska comes from unreasonable and unnecessary pay to ten (1) managerial teams, from uncontrolled growth of debt service, IBEW (Local 1547 Union) featherbedding, director-management-employee greed and graft, from management pay and fringe benefits, from duplication of clerical functions in ten (10) staffs, and from duplication of administrative office buildings, furniture, and fleets of automobiles.

STEP SIX OF STAUDENMAIER'S ELECTRIC MERGER PLAN

Governor Walter J. Hickel and Lieutenant Governor Jack Coghill should order the building of, and the State of Alaska should pay cash for the construction of the following electric interties:

**A Positive Solution To Reduce Your Monthly Electric Bill!
The Aim of Staudenmaier's Electric Merger Committee is a Simple One!**

NORTHEAST INTERTIE

This consists of a new transmission line from Palmer through Glenallen to Delta Junction with a transfer capacity of 150 MW. It would provide an alternate route for transfers between the Anchorage and Fairbanks areas, and would provide the Copper Valley area with access to the Railbelt electric grid. The capital cost of the Northeast interties is estimated at **\$170.6 million (1991 dollars)**, and the annual operations and maintenance cost is estimated at \$3.1 million. (Source of Information): Railbelt Intertie Reconnaissance Study.)

UPGRADE OF HEALY FAIRBANKS INTERTIE

\$77.5 million (1991 dollars). (Source of Information: Railbelt Intertie Reconnaissance Study)

KENAI-ANCHORAGE INTERTIE

This consists of a new 230-KV transmission line between Anchorage and the Kenai Peninsula with a transfer capacity of 250 MW. The capital cost of the proposed Kenai-Anchorage intertie is **\$83.2 million (1991 dollars)** route that avoids the (National Wildlife Refuge). Operations and maintenance cost is estimated at \$1.74 million per year (1991 dollars). (Source of Information) - Railbelt Intertie Reconnaissance Study. Benefit/Cost Analysis, prepared for Alaska Energy Authority, P.O. Box 190869, Anchorage, Alaska 99519-0869. Project Manager: Richard Emerman, prepared by Decision Focus Incorporated, 4984 El Camino Real, Los Altos, California 94022, June, 1989.

CORDOVA TO SOLOMON GULCH - COPPER RIVER ROUTE (T03)

The Cordova to Solomon Gulch - Copper River route consists of two 138/12.5 kv substations and an overland transmission line constructed on guyed, steel structures. The transmission route parallels the Copper River Highway to Miles Lake, then follows an old railroad bed to the mouth of the Tasnuna River. From there it runs up the Tasnuna River Valley and goes over Marshall Pass to Heiden Canyon. From Heiden Canyon to Solomon Gulch the line would parallel the existing Glenallen to Solomon Gulch 1138 kv transmission line. **The approximate length is 132 miles.** The capital cost for the Cordova to Solomon Gulch - Copper River route is estimated to be approximately **\$74 million (1991 dollars)**. This includes design, construction costs, and a 10% allowance for indeterminates. (Source of information) - Stone & Webster Engineering Corporation, March 22, 1982.

These interties will be similar to the intertie between Anchorage and Fairbanks that was built and paid for in cash by the State of Alaska. The money would come from the Railbelt Energy Fund including **five (5)** years of interest.

The 1993 Legislature should support Governor Hickel and Lt. Governor Coghill in their efforts in replacing from the **General Fund** the approximately 93 million dollars appropriated from the Railbelt Energy Fund in 1990, including the interest. The interest would have totalled approximately 100 million dollars over five fiscal years: FY87, FY88, FY89, FY90, FY91. The amount to be appropriated from the general fund would bring the Railbelt Energy Fund back to 330 million dollars in total funds.

A Positive Solution To Reduce Your Monthly Electric Bill!
The Aim of Staudenmaier's Electric Merger Committee is a Simple One!

Out of the 330 million dollars should come 25 million dollars from the coal-fired generation plant at Healy and 9.5 million dollars to construct an intertie upgrade to Seward. The appropriations would leave a balance of approximately 295.5 million dollars as of December 31, 1992.

There is presently a tremendous amount of animosity between Southcentral and Interior electric utilities over when and where to construct interties and how much to spend on construction of interties. This animosity is unnecessary because a **restored** Railbelt Energy Fund will have enough principal and interest over the next five years (during construction) to pay for construction of **all interties including the intertie from Anchorage to Soldotna.**

Additionally, the State of Alaska should purchase the **federally owned Snettisham Hydroelectric Project**, located near Juneau, Alaska from the United States Government. The purchase price should not exceed the amount for the outstanding debt owed at time of purchase. **Funds for purchasing the Snettisham Hydroelectric Project** should come from the general fund of the State of Alaska.

The Alaska Energy Authority should be the operating entity of this Hydroelectric Project after the purchase is completed.

When the **ten (10)** electric managerial organizations are successfully merged into **two (2)** for the dual purpose of streamlining and cutting your monthly electric bill, **the State of Alaska shall transfer its interests in the Bradley Lake Hydroelectric Project and the Solomon Gulch Hydroelectric Project including Interties (transmission lines) to the Alaska Southcentral Electric Co-op, Inc.**

All hydroelectric projects and interties (transmission lines) under the control of the State of Alaska, Alaska Energy Authority should be transferred to the local utility in whose service area the Hydroelectric Projects are physically located. Upon completion of those transfers Alaska Energy Authority will no longer function as a State Agency and will go out of existence, saving to the Alaskan people tens of millions of dollars per year. Their job is completed.

Rationale

When construction of these **four (4)** separate interties are completed and upgraded, the entire power grid in Southcentral and Interior Alaska will be combined and connected into one power grid.

A Positive Solution To Reduce Your Monthly Electric Bill!
The Aim of Staudenmaier's Electric Merger Committee is a Simple One!

This power grid shall extend from Homer to Soldotna and Kenai, Kenai to Anchorage, Anchorage to Fairbanks, Fairbanks to Delta Junction, Delta Junction to Gennallen, Glennallen to Valdez, Valdez to Cordova, and Glennallen to Palmer.

A good, prudent, and sound policy of electric generation in Southcentral and the Interior of Alaska dictates that one does not put all electric generation eggs into one basket. Alaska has earthquakes.

Power would be developed in Southcentral Alaska from **Bradley Lake** (hydroelectric), **Solomon Gulch** (hydroelectric), **Cooper Landing** (hydroelectric), **Eklutna Power Authority** (Hydroelectric), **Cordova** (hydroelectric), **Kenai** (natural gas), **Beluga** (natural gas), across from Cook Inlet in Anchorage, **Healy** and **Fairbanks** (coal).

After the State of Alaska finalizes the purchase of the Snettisham Hydroelectric Project from the United States Government, the following takes place:

One

The Alaska Southcentral and Interior power grid is in complete form, functional and reliable. **Every Alaskan community in Southcentral Alaska and the Interior would have access to cheap power at the same rate per KWH.**

Two

All power generation shall come under one division within the Alaska Southcentral Electric Cooperative south of the Denali Highway, whose 11-member board of directors, elected by State Senate District, shall equally represent all southcentral Alaska ratepayers under the U.S. Supreme Court one man/one vote rule.

Three

The Federal Government (except the military) is out of the power generation business in the State of Alaska.

STEP SEVEN OF STAUDENMAIER'S ELECTRIC MERGER PLAN

Pay off in full the outstanding indebtedness of all sixteen (16) REA (Rural Electrification Administration) co-ops and all State-Owned Hydroelectric Power Projects and all fifty-two (52) municipal electric utilities throughout the state, along with outstanding loans for the Four Dam Pool (including hydroelectric projects at Solomon Gulch, Tyee Lake, Swan Lake, and Terror Lake). Pay off the outstanding bonds, if any, on Bradley Lake (Hydroelectric) and build the coal fired Healy Generation Plant, paying cash until the job is completed.

Cash payoff of \$2,000,000,000.00 (2.0 billion dollars) would come from the **General Fund Account of the State of Alaska; the oil company tax settlements.**

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RATIONALE FOR PAYOFF OF STATEWIDE ELECTRIC UTILITIES DEBT:

Money in these accounts and settlements belong to all Alaskans, not just the power utilities, their lawyers, politicians and state bureaucrats, and should be used to the maximum benefit of all Alaskan residents:

One(1)

All residents of Southcentral and Interior Alaska would see their electric bill reduced 50% to 80% per month.

Two (2)

150 million dollars (\$150,000,000.00) in interest and debt service per year would be injected back into the State of Alaska's economic zone, creating (tens) of thousands of additional jobs and keeping 150 million dollars (\$150,000,000.00) in the statewide economy! When a dollar is spent within a community or state, the general rule is that the dollar will turn five (5) times. That's 750 million dollars of economic buying power every 12 months (\$750,000,000.00) that is injected back into the State of Alaska, that now flows south to the Lower 48.

Three (3)

Every electric utility bill paid by the public per year would be reduced, which would in turn, reduce everyone's property taxes.

1993 Examples

Municipality of Anchorage	\$8,452,939.00
Anchorage School District	4,889,900.00
Peninsula Borough School District	1,946,251.00
Kenai Peninsula Borough	433,618.00
The City of Seward	300,000.00
The City of Soldotna	323,055.00
The City of Kenai	528,457.00
The City of Homer	514,373.00
Mat-Su Borough School District	1,350,300.00
Mat-Su Borough	245,856.00
The City of Palmer	197,600.00
The City of Wasilla	98,622.00
Copper River School District	186,675.00
The City of Valdez	725,539.00
The City of Valdez Schools	305,352.00
The City of Fairbanks	610,000.00
Fairbanks North Star Borough School District	1,732,935.00
Fairbanks North Star Borough	666,144.00
The City of North Pole	<u>117,000.00</u>

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Four (4)

After all debts are paid off, **every man, woman, and child in the State of Alaska would receive an added permanent fund dividend check of approximately \$5,000.00 dollars over and above the annual permanent fund dividend check** you are entitled to. The only difference is, you shall not receive the \$5,000.00 in cash, but your \$5,000.00 dollars will come in the forms of **reduced electric bills, lower taxes and lower your cost of living. It is tax free. There are no federal income taxes** to be paid when you pay off debt.

Five (5)

Lower electric bills, lower taxes and lower the cost of living would create tens of thousands of **new jobs** throughout the State.

Six (6)

The end result of the full implementation of Staudenmaier's Electric Merger Plan shall be two (2) **streamline, debt-free, functionable utilities**. One in Southcentral and one in the Interior of Alaska, compliments of State oil revenues that belong to Alaskans first of all!

REMEMBER, WE ALL BENEFIT EQUALLY!

Why should the State of Alaska pay off the outstanding debts of the electric utilities?" The answer is simple. **99% of us Alaskans buy electric power form one (1) of sixteen (16) REA member-owned co-ops, or one (1) of sixteen REA member-owned co-ops, or one (1) of fifty-two (52) municipal utilities owned by the Alaskan people, or one (1) of ten (10) hydroelectric projects which is owned by the Alaskan people.** The **Alaskan** people as **residents** of the State of Alaska **own** the State assets. The **Alaskan** people **own** the oil and own the revenue it produces.

The **Alaskan** people **own** the Alaska Permanent Fund Corporation. The **Alaskan** people **own** the investment earnings of the Permanent Fund.

The Staudenmaier's Electric Merger Plan is simple pocketbook economics. The **Alaskan people** should take our **Alaskan money**, and pay off our **Alaskan debts**, and keep our **Alaskan money** in the hand of the **Alaskan people**, where it belongs. If you find a better plan, go buy it. Staudenmaier's Electric Merger Plan means **local hire, jobs, and cheap power, the BEST RESOURCE Alaska can offer ANY INDUSTRIAL ENTERPRISE!**

The full implementation of Staudenmaier's Electric Merger Plan will give the majority of the Alaskan people the basic foundation, a complete power grid, for the beginning of the industrialization and economic development of Southcentral and Interior Alaska for the next 100 years.

HOW CAN I STATE THIS WITH CERTAINTY? STAUDENMAIER'S ELECTRIC MERGER PLAN FULLY IMPLEMENTED WILL ENSURE THAT:

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One (1)

The power grid is in complete form, functional and reliable.

Two (2)

The electric utility system in Southcentral and the Interior of Alaska, namely; the Alaska Southcentral Electric Co-op, Inc., headquartered in Anchorage, and Golden valley Electric Co-op, Inc., headquartered in Fairbanks, would be debt free.

Three (3)

All electric consumers in Southcentral and Interior Alaska serviced by this power grid shall pay the same price per KWH, approximately 2 ½ cents (with ½ cent of that contributed to a special revolving fund for future generation plan to construction and line extensions).

Four (4)

As electric use increases as economic growth and the industrialization of Southcentral and Interior Alaska proceeds because of cheap power, so will the special revolving fund for future generation and line extension increase.

Five4)

When electric demand exceeds the revamped system's ability to generate needed power, there would be sufficient amount of money contained in the special revolving fund for future generation plant construction, power line extensions, and replacement of old generation equipment. Construction of the Susitna Hydroelectric Project on a cash basis (if the Alaskan people voted for it) would then serve as the centerpiece for power generation for the next 100 years in Southcentral and the Interior of Alaska.

Let's do something decent for future generation of Alaskans.

**How You Vote On staudenmaier's Electric Merger Plan
Is Your Business!
Making That Vote Possible Is Our Business!**

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The Aim of Staudenmaier's Electric Merger Committee is a Simple One!**



STAUDENMAIER'S

ELECTRIC MERGER COMMITTEE

1303 West 33rd Street, Suite 205

P.O. Box 140170, Anchorage, Alaska 99514-0170 Phone 1-907-276-2212, Fax 1-907-276-0245

RECOMMENDED PARTIAL LIST OF PROPOSED MAJOR NEW BY-LAWS THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP, INC.

To be voted on by the member of Chugach Electric Co-op, Inc., Matanuska Electric Co-op, Inc., Homer Electric Co-op, Inc., Copper Valley Electric Co-op, and Cordova Electric Co-op. Authority cited Title 10 Statutory Law, Chapter 25, Electrical and Telephone Cooperative Act Article II Merger and Consolidation, Section 10.25.240 and Section 10.25.280.

- 1. The Alaska Southcentral Electric Co-op, Inc., headquarters shall remain in Anchorage, Alaska at 5601 Minnesota Drive.**

Rationale: Chugach Electric Co-op systems are in place, i.e.: A recently completed 8 million dollar headquarter/office complex, a multi-million dollar IBM mainframe computer system, along with Chugach Electric New SCADA system utilizes the most modern technology to provide continuous information to central dispatch personnel on all aspects of Chugach's generation and transmission facilities. The SCADA system consists of two mainframe computers, a status board and control terminal at the central dispatch headquarters facility, as well as remote terminal units at every Chugach power plant and substation. The system is linked by a network of microwave communications facilities, and has the capability to expand as the Chugach power supply system continues to grow.

- 2. The Alaska Southcentral Electric Co-op Board of Directors shall consist of eleven (11) members by District under the reapportionment of the Alaska State Senate.**

Rationale: Every area in Southcentral Alaska is equally represented by population using the same reapportionment method as the Alaska State Senate. (As the population shifts every ten years, so do the board seats.)

- 3. The Alaska Southcentral Electric Co-op board member shall not succeed himself or herself after one (1) full four (4) year term. Directors shall be elected by secret ballot, by the members, at the annual meeting of the member of terms of four (4) years or until their successors are elected and qualified. The terms of directors shall be staggered in four (4) years cycles, so that four (4) shall be elected one year, four (4) the next year, and three (3) the third.**

Rationale: New people will bring new ideas to the Board of Directors, without letting any certain group develop a power struggle.

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4. **Voting by mail shall be permitted for the election of a board member including the passage or defeat of a new bylaw or by-law amendments at all annual or special membership meeting of the Alaska Southcentral Electric Co-op, Inc. All official correspondence concerning a board candidate, i.e. biographical, candidate statement, etc., along with proposed by-law change shall accompany the mail-out ballot in the same envelope.**

Rationale: Every member-owner shall be entitled to receive a secret ballot in the mail, along with a candidate statement and any by-law changes in order to make a clear-cut decision based on all pertinent information so that management manipulation of the election process is eliminated.

5. **The election rules for the election of or recall of a board member including the passage or defeat of a new by-law or by-law amendment of the Alaska Southcentral electric Co-op shall be the State of Alaska rule sand procedures for the election and recall of the governor, state legislator and ballot issues.**

Rationale: Maintain **fairness** and **integrity** in the democratic process.

6. **A bonified candidate for the Board of Directors election shall have access to a certified membership list in label form. A candidate shall only have access to the membership list form the district he or she is running in.**

Rationale: A candidate shall have access if he or she desire to the names of the member/owners to solicit their vote. Why? Because if a candidate running for the Board of Directors is prohibited from having access to the right of eligible member/owners who are entitled to vote, then the candidate cannot solicit their vote, and if a candidate cannot solicit their vote, then the candidate cannot win the election. That is the way the American democratic process works.

7. **Monthly board meeting shall be convened on the second Saturday of each month, convening at 10:00 a.m. The meeting shall be held on a rotating basis starting in Anchorage. The next monthly meeting shall be held in the Mat-Su Valley. The next monthly meeting shall be held on the Kenai Peninsula. The next monthly meeting shall be held either of one the following: Glennallen, Cordova, or Valdez. Each of these areas shall have three full official board meetings per year, following the above rotation schedule.**

Rationale: This will five the consumers/owners of the Alaska Southcentral Electric Co-op maximum exposure to the Board of Directors for their maximum participation. This rotation schedule would eliminate any animosity, real or unreal between the Kenai Peninsula vs. Anchorage, Anchorage vs. the Mat-Su Valley, Anchorage vs. Glennallen, cordova or Valdez or vice versa.

8. **All official meetings, including work sessions, shall be taped, transcribed, and the original copy held at the Co-op's headquarters for seven years. The**

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taping system shall be of the same quality as that of the Anchorage Municipal Assembly. All issues at an official meeting shall be recorded by roll call vote by individual board members name.

Rationale: To maintain a complete record of the business that transpires within the Alaska Southcentral Electric Co-op.

- 9. A complete, certified copy of these transcripts shall be posted at each location of the Alaska Southcentral Electric Co-op's place of official business, and made available to the membership within 48 hours after a board meeting. These are to be updated on a monthly basis.**

Rationale: To give the consumer/owner immediate access to transactions that occurred at the board meetings or work sessions.

- 10. The general manager shall serve for one (10 five-year term. The general manager shall not succeed himself or herself after one (1) full five year term. The Board of Directors shall replace him or her at its discretion at any time during his/her term if his/her services are below expectations.**

Rationale: New leadership brings new and fresh ideas.

- 11. The salary of the general manager shall not exceed the base salary of the governor of the State of Alaska.**

Rationale: The Alaska Southcentral Electric Co-op is a non-profit, semi-governmental body owned by the members; therefore, if the general manager desires a higher salary, (s)he should look to private industry. There are thousands of qualified American men and women who are looking for work.

- 12. The salary schedule of all nonunion employees of the Alaska Southcentral Electric Co-op, Inc. shall be the same salary schedule used by the State of Alaska concerning all state employees pay scales.**

Rationale: The Alaska Southcentral Electric Co-op is a nonprofit, semi-governmental body owned by the members. This would bring continuity and a stable pay scale to the Electric Utility.

- 13. All salaries and benefits of the nonunion employees and union employees by name, of the Alaska Southcentral Electric Co-op shall be made public to the membership, with an update every six months. Benefits shall not exceed 20% of the base salary. The salaries, benefits, and job titles shall be posted in all of the official offices of the Co-op for membership review.**

Rationale: The membership owns the co-op. The members are the employer and therefore shall be aware of the salaries and benefits that their employees are being paid.

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14. **It shall take a 2/3 vote by the Board of Directors to implement a pay raise for the employees.**

Rationale: To control overhead expenses and help keep the cost of the electric utilities reasonable.

15. **The Alaska Southcentral Electric Co-op shall be a nonprofit organization and therefore shall to engage in any new construction. All new construction shall be defined as: Any items that are not already physically in place including temporary power. The Alaska Southcentral Electric Co-op shall be designated and shall function as a service and maintenance organization, similar to Alyeska Pipeline Service company. All new construction shall be put out to competitive bid to private enterprise.**

Rationale: The Alaska Southcentral Electric Co-op is a nonprofit organization and shall not compete with a profit making organization. Labor productivity is much greater in private industry.

16. **Service and maintenance personnel under a collective bargaining agreement, if there is a collective bargaining agreement, with the Alaska Southcentral Electric Co-op shall not receive more than 85% of new construction scale, plus the benefits that are currently on the street.**

Rationale: The Alaska Southcentral electric Co-op shall be established as a service and maintenance organization, not a construction company. The man and women who choose to work service and maintenance are not entitled to full construction scale. For those who want or wish for full construction scale shall take their talents and work in the construction industry. This is a fair and equitable wage and the same type of wage plan used by Alyeska Pipeline Service Company.

17. **The Beluga Power Station shall be designated as local hire and service and maintenance shall be run on three 8-hour shifts, twenty-four hours per day, seven days per week.**

Rationale: To cut down overhead and create more jobs.

18. **Bid procedures shall follow the bid procedures of the State of Alaska on all vendor items and new construction projects. Any violations of bid procedures shall be classified as a felony count under statutory law.**

Rationale: Every business establishment that wants to participate in the bidding process shall have an equal opportunity to partake of the American free enterprise system.

19. **Line extension policies. The Alaska Southcentral Electric Co-op's line extension policies shall be:**

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- a. **All new subdivisions shall secure their own financing for their electric power installations and shall build their systems to the Alaska Southcentral electric Co-op's specifications, so they are compatible with the main power grid system.**

Rationale: Turnkey approach guarantees that each ratepayer pays once for his electric service.

- b. **Each subdivision shall choose its own method of installation provided it meets the specification of the Alaska Southcentral Electric Co-op.**

Rationale: Roll back inflated IBEW-induced ditch digging costs, since IBEW has exclusive contract contrary to the Federal Law with the utilities of this service.

- c. **When these specifications are met, the Alaska Southcentral Electric Co-op shall energize the system.**

20 . The transition team of the Alaska Southcentral Electric Co-op shall be:

- a. **The transition team shall be made up of one (1) Board member from Chugach Electric, Matanuska Electric, Homer Electric, Copper Valley Electric, Cordova Electric, each selected by their own Board of Directors.**

Rationale: Each merging electric co-op has an equal voice in the transition team.

- b. **The transition team powers shall be:**

1. To oversee the official election of the permanent 11-member board within 60 days of the merger vote.
2. To execute contracts pertinent to the election of the permanent eleven (11) member board for the length of 60 days.

Rationale: Mechanism necessary to the guide merger process.

- 21. The present five (5) utilities, CEA, MEA, HEA, CVE, and Cordova Electric Shall function in their individual capacity until the new eleven (11) - member board is selected by a vote of the combined membership. The new Board of Directors shall have 90 days to complete the merger.**

Rationale: Clear understanding by owner/member ratepayers on the completion date of merger.

- 22. All jobs shall be filled through applications received at the personnel department of the Alaska Southcentral Electric Co-op. No present employee is**

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guaranteed his or her position in the new organization.

Rationale: When this merger is completed there shall be one (1) 11-member Board of Directors by district, under reapportionment of the Alaska State Senate, one (1) division of generation, one (1) division of distribution and transmission, one (1) division of administration and with one (1) division of administration and with one (1) computer system, not eight (8) of each. There will be four hundred (400) employees removed from the payroll. All qualified Alaskans shall have the same opportunity to apply and compete for the jobs that are available in the new Co-op. Why? Because we are all member/owners.

23. All union contracts are declared null and void with the Alaska Southcentral Electric Co-op, Inc.

Rationale: The Alaska Southcentral Electric Co-op, Inc., once the merger is fully complete, shall become a full service and maintenance organization only. Therefore, all union/labor contracts shall be renegotiated.

THE STAUDENMAIER ELECTRIC MERGER PLAN IS DESIGNED TO:

First

Bust ten (10) union and management teams. At the present time IBEW Local 2547 **rips off and steals** their **Alaska Union brothers's jobs.** **Jobs that by all rights should go to Alaska teamsters, laborers, operating engineers and other Alaska trades and crafts.** **Note: The International Brotherhood of Electrical Works (IBEW) Local 1547 and utility management are so closely tied together as to be virtually indistinguishable from each other.** **Tom Staudenmaier is a former member of the teamsters, laborers, and operating engineers.** **Tom Staudenmaier is a fair man and to be fair, both have to be busted together.**

Second

The Staudenmaier Electric Merger Plan as approved by a vote of owner-members shall create a service and maintenance organization similar to Alyeska Pipeline service Company and shall be set up on a zero-based budget.

Third

When the Staudenmaier Electric Merger Plan is fully implemented, the people of Southcentral and Interior Alaska will be handed each a streamlined, debt-free utility free of union featherbedding and management duplication. Any Alaska union shall be free to organize the new utility's workforce and enjoy their rightful piece of the pie.

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18 NOV 1998
From: T. Staudenmaier



CHUGACH ELECTRIC ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

April 1, 1997

Mr. E. J. Young
P. O. Box 91259
Anchorage, Alaska 99509

Dear Mr. Young:

As per your recent request, I am forwarding the following information on my compensation as General Manager of Chugach Electric Association, Inc.:

Base Salary	\$156,000
Fringe Benefits:	
Pension	5,831
Medical Insurance	7,678
Life Insurance	1,371

In addition to the above, I have the use of a 1994 Ford Explorer with approximately 50,000 miles on it. The IRS values this at \$7,504 for tax purposes. The contributions to the employee 401K program are funded out of my salary; the Association does not contribute anything. I do not participate in any other type of deferred compensation plan.

I have been an employee of Chugach for 14 years and have been General Manager for the past three. At the end of 1996, Chugach's assets were \$483,294,976 and gross revenues were \$134,876,668. After expenses, net margins were \$9,831,371. To put this in perspective, I have attached some representative General Manager salaries of lower 48 Generation and Transmission Cooperatives from 1994. As you may note, Chugach's gross revenues and employee size (360) are similar to these utilities.

If you have any other questions, please give me a call.

Sincerely,

Eugene N. Bjornstad
General Manager

Enclosure

Attachment 3

My perspective is that similar sized G&T cooperatives in terms of revenues or number of employees or net worth pay their general managers about the same as I have been paid. The 1994 information on the following G&T managers' base compensation, for example, indicates in my mind that my base compensation is fair.

<u>G&T</u>	1994 <u>Gross Revenues</u>	<u>Employees</u>	Gen. Mgr. <u>Base Salary</u>
Deseret	\$124,827,364	210	\$160,000
Central Iowa	87,490,250	104	155,000
Cooperative Power	164,879,816	370	150,000
Wabash Valley	160,788,000	77	150,000
Sunflower	87,627,677	335	175,000
Allegheny	144,635,000	75	171,700
Minnkota	116,000,000	354	146,000
Buckeye	181,682,444	60	215,000
Chugach	130,912,171	380	150,000

Municipality of Anchorage



P.O. Box 190650
Anchorage, Alaska 99519-0650
Telephone: (907) 343-4425
<http://www.ci.anchorage.ak.us>

Rick Mystrom, Mayor

DEPARTMENT OF EMPLOYEE RELATIONS

April 2, 1997

Thomas G. Staudenmaier
P. O. Box 140170
Anchorage, Alaska 99514

Dear Mr. Staudenmaier:

You have asked the following questions regarding Thomas Stahr, General Manager, ML&P.
Please note the following response.

Annual Salary

1. Date of Hire to the MOA

September 23, 1974

2. Does Thomas R. Stahr have a contract or does he serve at the Mayor's pleasure?

He is an executive employee who serves at the pleasure of the Mayor

3. Gross Base monthly pay from MOA

\$6,822

4. Gross yearly base pay from MOA

\$81,868

Fringe Benefits

1. Health insurance premiums paid by MOA. Does coverage include medical dental and vision? If answer is yes, how much by the month and year?

As an executive employee, Mr. Stahr participates in the Flexible Benefits Program. The Municipality contributes \$225 per pay period (\$5,850 per year/\$487.50 per month) towards the program. Mr. Stahr can choose between three different levels of health

insurance coverage, two different dental plans, nine levels of life insurance, and five levels of short term disability. Long term disability is a mandatory coverage.

2. Annual leave if any. How many days?

Consistent with the Municipal Personnel Rules, Mr. Stahr accrues 40.625 days of annual leave per year.

3. Holidays. If any. How many days?

11 days

4. Retirement/savings if any.

Mr. Stahr participates in the State of Alaska Public Employee's Retirement Plan. The employee contributes 6.25% of pay and the MOA currently contributes 11.14% of pay.

5. Life insurance premiums paid by MOA if any. Approximate average % per year coverage.

See answer to question 1.

6. Health insurance premiums paid by MOA if any. Approximate average % per year coverage.

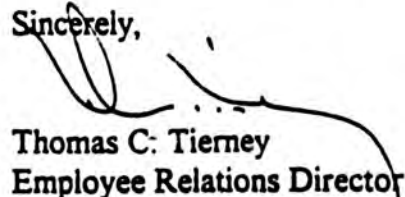
See answer to question 1.

7. Long term disability premiums paid if any by MOA. Approximate average % per year. Benefit level % of base salary, social security integrated after ____ weeks.

See answer to question 1. LTD premium is \$88.92 per year. LTD benefit is 60% of monthly salary to maximum of \$3,000 per month.

I trust this is responsive to your needs.

Sincerely,


Thomas C. Tierney
Employee Relations Director

cc: Thomas Stahr, General Manager, ML&P



EMPLOYMENT AGREEMENT

Employment Agreement dated as of this 15th day of February, 1995, by and between WAYNE D. CARMONY ("Carmony") and MATANUSKA ELECTRIC ASSOCIATION, INC. ("MEA"), its successors or assigns.

Recitals

- A. MEA desires to retain the services of Carmony as its General Manager.
- B. Carmony has a great deal of experience in managing electrical cooperatives.
- C. Carmony is willing to be employed by MEA, and MEA is willing to employ Carmony, on the terms and conditions set forth below.

NOW, THEREFORE, it is agreed:

1. Employment: MEA hereby employs, engages and hires Carmony as its General Manager and Carmony hereby accepts and agrees to such hiring, engagement and employment subject to the general supervision and pursuant to the orders and direction of the majority of MEA's Board of Directors.
2. Best Effort: Carmony agrees that he will at all times faithfully, industriously and to the best of his ability, experience and talents perform all the duties that may be required of and from him pursuant to the express and implicit terms of this Agreement.

3. Term of Employment: The term of this Agreement shall be a period of five (5) years, commencing February 14, 1995, and shall be automatically extended in one (1) year increments unless the Board takes formal action negating such automatic extension on or before February 14 of each year. Notwithstanding anything in this Agreement to the contrary, this Agreement shall terminate no later than February 14, 2015.

4. Compensation:

(a) MEA shall pay Carmony in full payment of Carmony's services under this Agreement compensation at the rate of Ninety Thousand and no/100 Dollars (^{125,000}~~\$90,000~~) per year, payable in regular installments on the dates and times that other employees of MEA are paid. In addition, Carmony shall be entitled to any additional benefits under any wage and salary administration plan as may be adopted by MEA for its other non-union employees or as may otherwise be mutually agreed in writing between the Board and Carmony.

(b) On or before October 31 of each year during which this Agreement is in effect, the Board shall in good faith review Carmony's performance and may increase his salary for merit, cost of living and/or other factors by amending paragraph 4(a) above. The Board may elect to provide Carmony additional forms of compensation from time to time including but not limited to bonuses and benefit packages. Such additional forms of compensation shall be in addition to the compensation identified in Section 4(a) above.

5. Relocation Allowance: MEA will in good faith consider any additional expenses incurred by Carmony in connection with his relocation to Alaska.

6. Benefits:

(a) Carmony shall be entitled to participate or otherwise be a party to any retirement plan, or any other MEA-employee benefit program such as group medical insurance, by way of example. MEA shall reimburse Carmony for all necessary expenses incurred by Carmony while travelling in the normal course of the business interests of MEA.

(b) In lieu of reimbursing Carmony on a per mile basis for the use of his vehicle in connection with MEA business, MEA shall pay Carmony a vehicle allowance of Five Hundred and no/100 Dollars (\$500) per month. In addition, MEA shall reimburse Carmony, or pay directly on his behalf, all operating costs, including fuel and maintenance costs, incurred by Carmony in connection with the use of his vehicle, whether for personal or business purposes. Prior to using his vehicle for MEA business, Carmony shall provide MEA with such certificate of insurance as MEA may reasonably require.

7. Insurance; Indemnification: MEA shall add Carmony as an additional insured under its managers, officers and directors liability insurance policy. In addition, MEA shall indemnify, defend and hold Carmony harmless from all claims, actions and damages arising out of or otherwise resulting from Carmony's performance of his duties hereunder except for any claims, actions or damages arising out of or resulting from Carmony's willful misconduct.

8. Vacation: Carmony shall earn paid annual leave at the rate of forty-five (45) working days per year, the entirety of which shall be credited to his vacation reserve account on February 15 of each year during which this Agreement is in effect, except that in connection with Carmony's termination, such 45 days shall be prorated between

Carmony's termination date and the last February 15 during which this Agreement is in effect. Except upon termination, Carmony shall not be paid or otherwise compensated for unused annual leave time. During each calendar year for which this Agreement is in effect, Carmony shall be required to take a minimum of five (5) consecutive working days as vacation. Example: If Carmony has 100 days in his vacation reserve account on February 14, 2010 and his last day of employment is June 15, 2010, then Carmony would be paid for 115 days, less any days used subsequent to February 15, 2010.

9. Termination:

(a) Carmony may terminate this Agreement upon one hundred eighty (180) days advance written notice to the Board. To the extent Carmony's schedule reasonably so allows, Carmony will work with the Board in good faith to facilitate the transition of a successor to his position as general manager of MEA.

(b) MEA may terminate this Agreement with or without cause upon thirty (30) days advance written notice to Carmony provided if MEA terminates this Agreement without cause, Carmony shall be paid, as severance pay, an amount equal to his salary for the remainder of the term of this Agreement, plus an amount equal to the value of any accrued annual leave and all other normal benefits of which he would otherwise be deprived for the remainder of his term.

The phrase "with cause", shall mean Carmony has (i) willfully and in bad faith, refused or neglected to carry out the reasonable duties or instructions which may have been assigned to him by the Board, or (ii) willfully and substantially failed to comply with the

express written policies of MEA or state or federal laws with the effect of injuring MEA's business interests, and

such refusal, negligence, or failure shall have continued, after written notice, authorized by a vote of a majority of the entire Board, to Carmony, for a period of ten (10) days in which time Carmony shall have had the opportunity to cure such failure. "With cause" shall also include the conviction of a felony or a crime involving grave infringement of the moral sentiment of the community.

(c) In no event shall "with cause" be deemed to include circumstances surrounding, or arising out of, directly or indirectly, disputes between MEA and any organization with which MEA is negotiating or signatory to an agreement.

10. Board Policy: Notwithstanding anything in this Agreement to the contrary, Carmony may authorize staff, on a case-by-case basis, to depart from established Board policy if, in his judgment, such departure:

- (a) Advances the best interests of MEA; and
- (b) Does not substantially or materially increase MEA's potential liability.

11. Modification Agreement: Any modification of this Agreement shall be binding only if in writing and signed by each party.

12. Choice of Laws: This Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.

13. Place of Suit: Any action at law, suit in equity, or other judicial proceeding for the enforcement of this Contract or any provision thereof shall be instituted only in the Superior Court for the State of Alaska, Third Judicial District.

14. Assignment: This is a personal agreement. Carmony may not assign or transfer any of his rights under this Agreement.

15. Successors and Assigns: The rights, obligations, and liabilities set forth in or arising under this Agreement shall extend to, be binding upon, and inure to the benefit of the successors and assigns of the respective parties.

16. Entire Agreement: This Agreement contains the entire agreement between the parties and shall, as of the effective date hereof, supersede all other agreements between the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement at Palmer, Alaska on the 15th day of January, 1994.

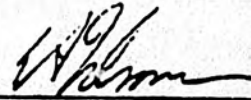
EMPLOYEE:

MATANUSKA ELECTRIC ASSOCIATION,
INC.
P.O. Box 2929
Palmer, AK 99645

Wayne D. Carmony
Wayne D. Carmony
General Manager

Barbara J. Miller
Barbara J. Miller
President

ATTEST:



William A. Folsom
Secretary-Treasurer

(CORPORATE SEAL)



MEA

MEMORANDUM

DATE: November 3, 1995

TO: Jim Woodcock
Director of Administration

FROM: Debbi Wiles
Accounting Services Manager

SUBJECT: Legal Expenses

Below is the detail on the legal expense for 1994, year-to-date for 1995 and the 1996 budget:

1994	Actuals	MEA	\$355,435	
		AEG&T	\$ 74,550	Total \$429,985
1995	Actuals- YTD 9/30	MEA	\$340,733	
		AEG&T	\$ 16,409	Total \$357,142
1996	Budget	MEA	\$278,000	
		AEG&T	\$ 26,750	Total \$304,750

Delaney, Wiles, Hayes, Gerety & Ellis Inc.

1994 Actuals \$ 59,028

1995 Actuals \$172,247 year-to-date 9/30/95

(these dollars are included in above numbers)

word\data\budget\legal



**Matanuska Electric
Association, Inc.**

P.O. Box 2929
Palmer, Alaska 99645
Telephone: (907) 745-3221
Fax: (907) 745-9328
April 11, 1996

Mr. Thomas Staudenmaier
PO Box 140170
Anchorage, AK 99514-0170

Dear Mr. Staudenmaier:

The updated information which you requested regarding insurance benefits for directors is as follows:

1. Non-profit Liability

Coverage provides protection for wrongful acts of directors, officers, and employees including breach of duty, neglect, misstatement, omission, and other acts done or wrongfully attempted. The policy includes coverage for employment practices, non-monetary claims and duty to defend. Limit of liability is \$5 million.

2. General Liability

Coverage for injuries or damages to a third party when MEA is responsible for the loss. The policy also provides coverage for employee benefits liability. Limit of liability is \$1 million.

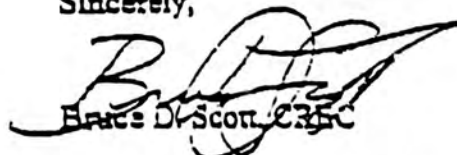
3. Twenty-four Hour Accident/Business Travel Accident Insurance

Provides directors with \$25,000 of financial reimbursement for accidental death, dismemberment or disability resulting from an accident. \$100,000 of coverage if accident occurs during a business trip.

Non-profit Liability coverage and General Liability coverage are included in our general liability insurance package and do not cost MEA additional premium dollars to insure its directors. We pay approximately \$200.00 in order to provide Twenty-four Hour Accident and Business Travel Accident coverage while our directors are traveling on MEA business.

If you have additional questions, please submit those to me by FAX at 907-745-9328 or by mail at the address listed above.

Sincerely,


Bruce D. Scott, ESQ.



Tom Staudenmaier's

ELECTRIC MERGER COMMITTEE

1303 West 33rd Street, Suite 206 • P.O. Box 140170, Anchorage, Alaska 99514-0170 •
Phone 1-907-276-2212 • Fax 1-907-276-0245



FOR IMMEDIATE NEWS RELEASE DATED SEPTEMBER 19, 1997

ATTN: SEWARD ELECTRIC USERS -

WHY ARE YOU BEING RIPPED OFF BY THE SEWARD CITY COUNCIL?

WHY NOT BUY DIRECT FROM CHUGACH ELECTRIC?

HOW? VOTE on a successful merger and your monthly savings could be ...

Chugach Electric Association, Inc. Anchorage, Alaska

Retail Rate Comparison: Chugach vs. City of Seward

September 17, 1997

Class	Retail Class Rates		Total Bill		
	Chugach	Seward	Chugach	Seward	Percent
Residential					
Customer Charge	\$6.50	\$15.00	—	—	
Energy Charge	\$0.07727	\$0.09170	— 9.80¢	— 12.29¢	
Fuel Surcharge	\$0.01207	\$0.010025	\$73.51	\$92.21	25.44%
Small General Service					
Customer Charge	\$12.50	\$30.00	—	—	
Energy Charge	\$0.07829	\$0.11200	— 10.32¢	— 15.74¢	
Fuel Charge	\$0.01207	\$0.01125	\$100.15	\$149.55	49.33%
Large General Service					
Customer Charge	\$31.00	\$30.00	—	—	
Energy Charge (1 at 200 kWh)	\$0.03043	\$0.07510	—	—	
Energy Charge (> 200 kWh)	\$0.03043	\$0.04340	— 7.46¢	— 9.24¢	
Fuel Surcharge	\$0.01207	\$0.01125	—	—	
Demand Charge	\$11.74	\$13.83	\$1,353.48	\$1,677.37	23.93%

Note: Total bill comparison based on 750 kWh for Residential; 970 kWh for Small General Service; and, 18,134 kWh/47 kW for Large General Service 52% load factor.

A Positive Solution to Reduce Your Monthly Electric Bill!

The Best and Brightest Ideas Energizing in the State of Alaska!



CHUGACH ELECTRIC ASSOCIATION, INC.

March 31, 1997

Thomas G. Staudenmaier
P.O. Box 140170
Anchorage, Alaska 99514

Dear Mr. Staudenmaier:

Following is a recapitulation of Chugach's net average cost to generate a kilowatt hour (average of all power plants):

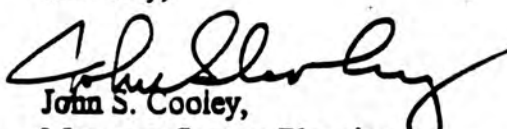
1981	1.574 cents	1989	1.867 cents
1982	1.748 cents	1990	1.996 cents
1983	1.894 cents	1991	2.059 cents
1984	1.910 cents	1992	2.406 cents
1985	1.908 cents	1993	2.651 cents
1986	1.749 cents	1994	2.295 cents
1987	1.780 cents	1995	2.553 cents
1988	1.806 cents	1996	2.591 cents

Based on the information in the Department Energy report EIA-411 for 1995, the following table summarizes the energy generated in Southcentral Alaska. The information in our March 28 letter had percentages for the total Railbelt including Fairbanks.

	GWh	Percentage
Anchorage Municipal Light and Power (AML&P)	734.8	22.34%
Chugach Electric Assoc.	1886.6	57.35%
Alaska Energy Authority (AEA)	442.4	13.45%
Alaska Power Administration (APAdmin)	179.3	5.45%
Alaska Electric Generation and Transmission (AEG&T)	46.6	1.42%
Total Southcentral Alaska	3289.7	100.00%

The average revenue for wholesale power sold to Seward Electric System (SES) and AEG&T is 4.28¢ per kWh.

Sincerely,


John S. Cooley,
Manager, System Planning

Municipality
of
Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 321-4000
Fax: (907) 321-4583

Rick Mustrom, Mayor

OPERATIONS MANAGER

March 17, 1997

Mr. Thomas G. Staudenmaier

P.O. Box 140170

Anchorage, Alaska 99514

Dear Mr. Staudenmaier:

Following is the information you requested about ML&P:

1. The average cost to generate a KWH for ML&P (production expense excluding purchased power and depreciation):

1990 3.58

1991 3.98

1992 3.14

1993 3.61

1994 3.03

1995 3.14

1996 2.89

2. Number of customers December 1996: 29,166

3. Total number of employees, by class, for year end 1996:

Non-Rep: 69

IBEW: 155

4. Copy of approved 1997 budget is attached.

5. Total operational payroll and benefits budgeted for 1997:

Personnel Costs \$10,026,000

Benefits \$ 4,019,000

6. The minimum monthly residential customer charge as of 12/31/96:
\$6.56

The minimum monthly small general service customer charges as of 12/31/96:
\$12.38

7. The cost per residential single phase KWH as of 12/31/96 is:
8.803 cents per KWH plus \$6.56/month customer charge.

The cost for the first 750 KWH (residential): \$70.07 including COPA and RCC
as of 12/31/96.

The cost for the first 750 KWH (commercial): \$74.34 including COPA and RCC
as of 12/31/96.

8. COPA was (.00367) as of 12/31/96 and (.00329) as of 1/1/97.

- | | | | |
|----|----|--|-----|
| 9. | A) | The total miles of transmission line: | 25 |
| | B) | Total miles of distribution overhead: | 144 |
| | C) | Total miles of distribution underground: | 205 |
| | D) | Total miles of energized line: | 374 |

10. ML&P long-term debt (including unamortized discount):

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
178,830,861	173,365,450	323,189,260	314,616,384	305,319,125

11. ML&P long term debt interest:

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
11,982,274	11,658,483	12,556,907	18,442,717	18,018,738

12. ML&P long term principal maturing current year:

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
5,200,000	5,490,000	6,105,000	8,105,000	8,340,000

Mr. Thomas G. Staudenmaier
Page 3

13. During 1996, the operating costs for purchased electricity were as follows:

APA - Eklutna	1,345,667
AEA - Bradley	3,372,054
CEA	3,693
GVEA	214
MEA - Eklutna	<u>77,675</u>
	4,799,303

14. 1996 Billings:

	<u>Revenue</u>
Municipality of Anchorage	\$ 3,984,250
Anchorage School District	\$ 2,180,876

The information regarding how much electrical power the Municipality purchased in 1996 from electrical utilities is not available at this time. I will send you this information as soon as it becomes available.

If you have further questions, do not hesitate to contact us.

Sincerely,


George J. Vakalis
Operations Manager



GOLDEN VALLEY ELECTRIC ASSOCIATION INC. PO Box 71249 • Fairbanks, Alaska 99707-1249 • 907-452-1151

**GVEA'S Net Average Cost
to Generate a Kilowatt Hour***

1982	7.660 cents
1983	6.873 cents
1984	6.770 cents
1985	5.089 cents
1986	3.577 cents
1987	5.413 cents
1988	5.541 cents
1989	5.854 cents
1990	5.441 cents
1991	5.746 cents
1992	6.027 cents
1993	5.049 cents
1994	5.243 cents
1995	5.245 cents
1996	5.546 cents
1997	5.336 cents

*Includes insurance, depreciation, interest, operations & maintenance

Power Generation

<u>Fairbanks/ Year</u>	<u>North Pole</u>	<u>Healy</u>	<u>Purchased</u>
1982	33%	55%	12%
1983	42%	51%	7%
1984	52%	44%	4%
1985	44%	41%	15%
1986	53%	33%	14%
1987	25%	34%	41%
1988	27%	34%	39%
1989	22%	34%	44%
1990	16%	35%	49%
1991	23%	34%	43%
1992	21%	30%	49%
1993	29%	36%	35%
1994	26%	29%	45%
1995	24%	30%	46%
1996	40%	17%	43%
1997	43%	16%	41%

12/31/97

\$ 73.52
\$102.07

12/31/96

\$ 71.42
\$ 104.17

R
GS1

750 kWh includes customer charge
750 kWh includes customer charge

CHUGACH ELECTRIC ASSOCIATION, INC.

Retail Rate Comparison: Chugach vs. Anchorage Municipal Light Power
November 26, 1997

CLASS	RETAIL CLASS RATES		TOTAL BILL		
	Chugach	ML&P	Chugach	ML&P	Variance
Residential					
Customer Charge (monthly)	\$ 6.25	\$ 6.56	\$ 6.25	\$ 6.56	
Energy Charge (per kwh)	\$ 0.07727	\$ 0.08803	\$ 57.95	\$ 66.02	
Fuel Surcharge (per kwh)	\$ 0.01207	\$ (0.00284)	\$ 9.05	\$ (2.13)	
			\$ 73.25	\$ 70.45	-4%
Small General Service					
Customer Charge (monthly)	\$ 12.50	\$ 12.88	\$ 12.50	\$ 12.88	
Energy Charge (per kwh)	\$ 0.07829	\$ 0.08530	\$ 75.94	\$ 82.74	
Fuel Surcharge (per kwh)	\$ 0.01207	\$ (0.00284)	\$ 11.71	\$ (2.75)	
			\$ 100.15	\$ 92.87	-7%
Large General Service*					
Customer Charge (monthly)	\$ 31.00	\$ 44.15	\$ 31.00	\$ 44.15	
Energy Charge (per kwh)	\$ 0.03043	\$ 0.04970	\$ 551.82	\$ 901.26	
Fuel Surcharge (per kwh)	\$ 0.01207	\$ (0.00284)	\$ 218.88	\$ (51.50)	
Demand Charge (per kilowatt)	\$ 11.74	\$ 11.01	\$ 551.78	\$ 517.47	
* At secondary voltage.			\$ 1,353.48	\$ 1,411.38	4%

Notes: 1) Total bill comparison based on 750 kwh for Residential; 970 kwh for Small General Service; and 18,134 kwh/47 kw for Large General Service (52% load factor).

2) On Nov. 21, 1997, Chugach filed for a proposed increase to its retail fuel surcharge from \$0.01207/kwh to \$0.01747/kwh. Chugach submitted the filing with a proposed effective date of Jan. 1, 1998.

CHUGACH ELECTRIC ASSOCIATION, INC.
Retail Rate Comparison: Chugach vs. Anchorage Municipal Light Power
November 26, 1997

WITH PROPOSED JAN. 1, 1998 FUEL SURCHARGE INCREASE

CLASS	RETAIL CLASS RATES		TOTAL BILL		
	Chugach	ML&P	Chugach	ML&P	Variance
Residential					
Customer Charge (monthly)	\$ 6.25	\$ 6.56	\$ 6.25	\$ 6.56	
Energy Charge (per kwh)	\$ 0.07727	\$ 0.08803	\$ 57.95	\$ 65.92	
Fuel Surcharge (per kwh)	\$ 0.01747	\$ (0.00284)	\$ 13.10	\$ (2.13)	
			\$ 77.30	\$ 70.45	-9%
Small General Service					
Customer Charge (monthly)	\$ 12.50	\$ 12.88	\$ 12.50	\$ 12.88	
Energy Charge (per kwh)	\$ 0.07829	\$ 0.08530	\$ 75.94	\$ 82.74	
Fuel Surcharge (per kwh)	\$ 0.01747	\$ (0.00284)	\$ 16.95	\$ (2.75)	
			\$ 105.39	\$ 92.87	-12%
Large General Service*					
Customer Charge (monthly)	\$ 31.00	\$ 44.15	\$ 31.00	\$ 44.15	
Energy Charge (per kwh)	\$ 0.03043	\$ 0.04970	\$ 551.82	\$ 901.26	
Fuel Surcharge (per kwh)	\$ 0.01747	\$ (0.00284)	\$ 316.80	\$ (51.50)	
Demand Charge (per kilowatt)	\$ 11.74	\$ 11.01	\$ 551.78	\$ 517.47	
* At secondary voltage.			\$ 1,451.40	\$ 1,411.38	-3%

Notes: 1) Total bill comparison based on 750 kwh for Residential; 970 kwh for Small General Service; and 18,134 kwh/47 kw for Large General Service (52% load factor).

2) On Nov. 21, 1997, Chugach filed for a proposed increase to its retail fuel surcharge from \$0.01207/kwh to \$0.01747/kwh. Chugach submitted the filing with a proposed effective date of Jan. 1, 1998.



Metanuska Electric Association
PO Box 2929 Palmer Alaska 99645-2929
745-3231 • 994-2161 • 376-7237 •
Toll-free 800-478-5150

MEMBER INFORMATION BULLETIN *RATES 98-01*

January 8, 1998

To: All MEA Members/Customers
From: Member and Public Relations Office
Subject: *APUC-Approved Rates effective January 8, 1998*

Understanding Bills for SINGLE-PHASE SERVICE (mostly Residential customers)

On your MEA bill you will find previous balance and payment received below the account information boxes. The account information boxes will have the account number, member number, customer's name, service location phone number and meter number.

ADJUSTMENTS

This box shows any adjustments to your account. These could be a charge or credit to your account such as records fee, deposit reimbursement, estimating adjustments and so on. These will be totaled, if any, and carried to the right side of the bill.

CURRENT MONTH'S CHARGES

Facility Charge: \$7.00 (lowered from \$10.00 Feb. 96)
First Step: kwh up to 1,300 @ (times) \$0.09596
Next Step: kwh over 1,300 @ (times) \$0.07797
WPCRA²: total kwh @ (times) \$0.01283
Regulatory Charge²: total kwh @ (times) \$0.000280
Annual Minimum for Seasonal Service \$84.00

Three Phase Charge: (For Three Phase customers only)

Facility Charge: \$25.00
Demand Charge: \$4.93/kW
Energy Charge: \$0.06101/kWh
WPCRA: \$0.01283/kWh
Regulatory Charge: \$0.000280/kWh

These will be totaled and carried to the right side of the bill.

MESSAGES

Messages for MEA members can be found in this box. The messages can be specific to certain areas or general messages about rate changes, scholarship announcements, or community events.

ACCOUNT STATUS

This box gives a list of your account status. If the account is past due, it will say that. The right side of this box also tells how much of a late fee can be saved if the bill is paid by the listed due date. To the far right of this box is the total amount due on your account.

HISTORICAL INFORMATION

This box gives a list of the number of days in each month's billing cycle. It also lists the kilowatt hours used for that billing period, the daily average of kilowatt hours used for that billing period and the average temperature that month.

Streetlights installed before December 1981: \$17.03 per lamp/month

Other Streetlights:

150 Watts \$15.09 per lamp/month
250 Watts \$18.97 per lamp/month

[MEA MPR Rates.98-01rate.doc]

¹ **Facilities Charge:** A flat monthly charge designed to cover the costs of customer accounting, issuing your monthly bill, maintaining and reading meters, and capital costs associated with metering equipment.

² **WPCRA or Wholesale Power Cost Rate Adjustment:** An adjustment to reflect fluctuations in the cost of purchased power. This may be

To: All Matanuska Electric Association Members/Customers

From: Member Relations Office

Subject: Comparison for example KWH for the 1st year

Formula = \$7.00 + [kwh x (.Base + WPCRA + APUC)] = Actual Bill



Date	Base	WPCRA	RCC	Total Rate + Facility C	Example of 500 kwh	Example of 750 kwh	Example of 1,000 kwh
Jan-88	0.09001	-0.000500		= 0.08951 \$10.00	\$ 54.76	\$ 77.13	\$ 99.51
Apr-88	0.09001	-0.000390		= 0.08962 \$10.00	\$ 54.81	\$ 77.22	\$ 99.62
Jul-88	0.09078	-0.005140		= 0.08564 \$10.00	\$ 52.82	\$ 74.23	\$ 95.64
Oct-88	0.09078	-0.005090		= 0.08569 \$10.00	\$ 52.85	\$ 74.27	\$ 95.69
Jan-89	0.09078	-0.002440		= 0.08834 \$10.00	\$ 54.17	\$ 76.26	\$ 98.34
Apr-89	0.08719	0.002050		= 0.08924 \$10.00	\$ 54.62	\$ 76.93	\$ 99.24
Jul-89	0.08573	0.002040		= 0.08777 \$10.00	\$ 53.89	\$ 75.83	\$ 97.77
Oct-89	0.08573	0.002110		= 0.08784 \$10.00	\$ 53.92	\$ 75.88	\$ 97.84
Jan-90	0.08573	0.004390		= 0.09012 \$10.00	\$ 55.06	\$ 77.59	\$ 100.12
Apr-90	0.08573	0.003740		= 0.08947 \$10.00	\$ 54.74	\$ 77.10	\$ 99.47
Jul-90	0.08912	0.004290		= 0.09341 \$10.00	\$ 56.71	\$ 80.06	\$ 103.41
Oct-90	0.08912	0.002400		= 0.09152 \$10.00	\$ 55.76	\$ 78.64	\$ 101.52
Jan-91	0.08912	0.009270		= 0.09839 \$10.00	\$ 59.20	\$ 83.79	\$ 108.39
Apr-91	0.08912	0.004000		= 0.09312 \$10.00	\$ 56.56	\$ 79.84	\$ 103.12
Jul-91	0.08418	0.006530		= 0.09071 \$10.00	\$ 55.36	\$ 78.03	\$ 100.71
Oct-91	0.08418	0.005990		= 0.09017 \$10.00	\$ 55.09	\$ 77.63	\$ 100.17
Jan-92	0.08418	0.006760		= 0.09094 \$10.00	\$ 55.47	\$ 78.21	\$ 100.94
Apr-92	0.08418	0.013410		= 0.09759 \$10.00	\$ 58.80	\$ 83.19	\$ 107.59
Jul-92	0.08884	0.007610		= 0.09645 \$10.00	\$ 58.23	\$ 82.34	\$ 106.45
Nov-92	0.08991	0.007350		= 0.09726 \$10.00	\$ 58.63	\$ 82.95	\$ 107.26
Oct-92	0.08991	0.009480		= 0.09939 \$10.00	\$ 59.70	\$ 84.54	\$ 109.39
Jan-93	0.08901	0.010890	0.000626	= 0.100526 \$10.00	\$ 60.26	\$ 85.39	\$ 110.53
Apr-93	0.08724	0.011110	0.000626	= 0.098976 \$10.00	\$ 59.49	\$ 84.23	\$ 108.98
Jul-93	0.08724	0.010190	0.000626	= 0.098056 \$10.00	\$ 59.03	\$ 83.54	\$ 108.06
Oct-93	0.08724	0.010000	0.000626	= 0.097866 \$10.00	\$ 58.93	\$ 83.40	\$ 107.87
Aug-93	0.08724	0.009040	0.000386	= 0.096666 \$10.00	\$ 58.33	\$ 82.50	\$ 106.67
Jan-94	0.08812	0.010730	0.000386	= 0.099236 \$10.00	\$ 59.62	\$ 84.43	\$ 109.24
May-94	0.08812	0.016210	0.000386	= 0.104716 \$10.00	\$ 62.36	\$ 88.54	\$ 114.72
Jul-94	0.08812	0.014870	0.000386	= 0.103376 \$10.00	\$ 61.69	\$ 87.53	\$ 113.38
Oct-94	0.08812	0.006880	0.000386	= 0.095386 \$10.00	\$ 57.69	\$ 81.54	\$ 105.39
Nov-94	0.08812	0.006880	0.000412	= 0.095412 \$10.00	\$ 57.71	\$ 81.56	\$ 105.41
Jan-95	0.08812	0.012600	0.000412	= 0.101132 \$10.00	\$ 60.57	\$ 85.85	\$ 111.13
Apr-95	0.08629	0.011330	0.000412	= 0.098032 \$10.00	\$ 59.02	\$ 83.52	\$ 108.03
Jul-95	0.08629	0.007460	0.000000	= 0.09375 \$10.00	\$ 56.88	\$ 80.31	\$ 103.75
Oct-95	0.08703	0.005220	0.000322	= 0.092572 \$10.00	\$ 56.29	\$ 79.43	\$ 102.57
Jan-96	0.08703	0.009280	0.000322	= 0.096632 \$10.00	\$ 58.32	\$ 82.47	\$ 106.63
Feb-96	0.0996	0.000780	0.000322	= 0.100702 \$7.00	\$ 57.35	\$ 82.53	\$ 107.70
Apr-96	0.0996	0.001190	0.000322	= 0.101112 \$7.00	\$ 57.56	\$ 82.83	\$ 108.11
Jun-96	0.09855	0.002370	0.000322	= 0.101242 \$7.00	\$ 57.62	\$ 82.93	\$ 108.24
Jul-96	0.09855	0.002650	0.000322	= 0.101522 \$7.00	\$ 57.76	\$ 83.14	\$ 108.52
Oct-96	0.09855	0.002930	0.000322	= 0.101802 \$7.00	\$ 57.90	\$ 83.35	\$ 108.80
Jan-97	0.09855	0.002930	0.000297	= 0.101777 \$7.00	\$ 57.89	\$ 83.33	\$ 108.78
Apr-97	0.09644	0.002240	0.000297	= 0.098977 \$7.00	\$ 56.49	\$ 81.23	\$ 105.98
Jul-97	0.09596	0.002600	0.000297	= 0.098857 \$7.00	\$ 56.43	\$ 81.14	\$ 105.86
Oct-97	0.09596	0.005930	0.000297	= 0.102187 \$7.00	\$ 58.09	\$ 83.64	\$ 109.19
Jan-98	0.09596	0.012830	0.000280	= 0.10907 \$7.00	\$ 61.54	\$ 88.80	\$ 116.07

Date Base WPCRA APUC Total Rate + Facility C 500 kwh 750 kwh 1,000 kwh

Note: Monthly electric bills are based on kilowatt-hours (kwh) used - your electric bill may vary.

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

P.O. Box 71249

753 ILLINOIS STREET

FAIRBANKS, AK 99707-1249

(907) 452-1151

(907) 451-5633 (FAX)

C O V E R

S H E E T

FAX

To: Tom Staudenmaier

From: Teresa A. Thompson
Administrative Assistant to Robert Hansen

Fax No: 276-0245

Re: Estimated Electric Savings in 1997

Date: November 5, 1997

Pages: 2, including this cover sheet.

COMMENTS:

Tom: Following is the information you requested. Robert wanted me to convey that these figures are based on a whole year's worth of savings. If you have any questions, please call.

If you have any trouble receiving this fax, please call Teresa at 458-5721.

May 8, 1996

Wayne Graham
Pacific Telecom Inc.
805 Broadway
Vancouver, WA 98660

RE: Information Request

Estimated Electric Savings in 1997

City of Fairbanks	\$ 25,000
Churches & Non-Profits	\$125,000
Fairbanks North Star Borough- School District	\$200,000
Fairbanks North Star Borough-Other	\$300,000
Fairbanks Memorial Hospital	\$350,000
State of Alaska	\$300,000

Gross Revenue Tax

1997	\$36,000 (1/2 year)
1998	\$73,000
1999	\$74,000
2000	\$74,000
2001	\$74,000

Service Area Map

Attached

Logo

Attached

Comments on Draft

Sometime on Friday. Please send latest draft on Thursday afternoon.

To: Tom Staudenmaier
 FROM: Mayor Hayes

11/7/97

75-3503-00-2 CITY OF FAIRBANKS CLOSING RECDON

DLD/DLD/ / / / /

S

97100700231 143
 CASH DEPOSIT
 WIRE FROM BANK OF AMERICA- FROM
 PACIFIC TELECOM, INC.

83,860,216.00

97100700232 143
 CASH DEPOSIT
 WIRE FROM BANK OF AMERICA / FROM
 PACIFIC TELECOM INC

1,500,000.00

97100700234 143
 CASH DEPOSIT
 FROM RDA ACCT. #17311809- GOLDEN
 VALLEY ELECTRIC

25,810,215.11

97100700236 143
 CASH DEPOSIT
 WIRE FROM FIRST NATIONAL BANK OF
 ANCHORAGE / FAIRBANKS SEWER

1,436,407.00

111,187,490.00

97100700238 646
 DISBURSEMENT
 OUTGOING WIRE TO FIRST TRUST NA

39,210,000.00-

97100700249 646
 DISBURSEMENT
 WIRE TO KEY BANK

1,500,000.00-

97100700338 619
 TRANSFER TO ANOTHER TRUST ACCOUNT
 TO ACCT. #753504000

0,450,000.00-

97100700339 619
 TRANSFER TO ANOTHER TRUST ACCOUNT
 TO ACCT. #753509553

1,000,000.00-

97100700340 619
 TRANSFER TO ANOTHER TRUST ACCOUNT

60,951,890.71-

CITY OF SEWARD - ELECTRIC BILLING BREAKDOWN FOR FY95

JUL 1994 ADMIN 4,372.34
ST LTS - MTRD 965.83
ST LTS - NONMTRD 2,156.30
PARKS & REC 2,749.63
E UTIL 5,127.70
W&S UTIL 18,137.23
HARBOR 9,074.25
\$ 42,533.78

AUG 1994 ADMIN 5,956.37
ST LTS - MTRD 1,555.61
ST LTS - NONMTRD 2,156.30
PARKS & REC 641.65
E UTIL 5,438.39
W&S UTIL 25,897.56
HARBOR 9,887.35
\$ 51,533.23

SEP 1994 ADMIN 5,407.25
ST LTS - MTRD 1,131.72
ST LTS - NONMTRD 2,156.30
PARKS & REC 630.67
E UTIL 5,200.35
W&S UTIL 19,698.94
HARBOR 6,174.35
\$ 40,377.53

OCT 1994 ADMIN 5,930.64
ST LTS - MTRD 1,746.72
ST LTS - NONMTRD 2,156.30
PARKS & REC 504.28
E UTIL 3,873.45
W&S UTIL 15,432.76
HARBOR 16,448.71
\$ 46,092.86

NOV 1994 ADMIN 7,258.45
ST LTS - MTRD 2,022.98
ST LTS - NONMTRD 2,156.30
PARKS & REC 463.61
E UTIL 4,834.37
W&S UTIL 15,924.71
HARBOR 18,063.10
\$ 46,679.05

DEC 1994 ADMIN 7,394.18
ST LTS - MTRD 2,405.65
ST LTS - NONMTRD 2,156.30
PARKS & REC 378.04
E UTIL 5,756.87
W&S UTIL 16,459.68
HARBOR 16,716.77
\$ 51,267.49

JAN 1995 ADMIN 7,178.77
ST LTS - MTRD 2,307.45
ST LTS - NONMTRD 2,156.30
PARKS & REC 293.25
E UTIL 3,525.18
W&S UTIL 13,944.89
HARBOR 23,169.66
\$ 52,575.50

FEB 1995 ADMIN 8,353.21
ST LTS - MTRD 2,412.00
ST LTS - NONMTRD 2,156.30
PARKS & REC 319.63
E UTIL 4,122.73
W&S UTIL 14,377.76
HARBOR 21,932.84
\$ 53,674.47

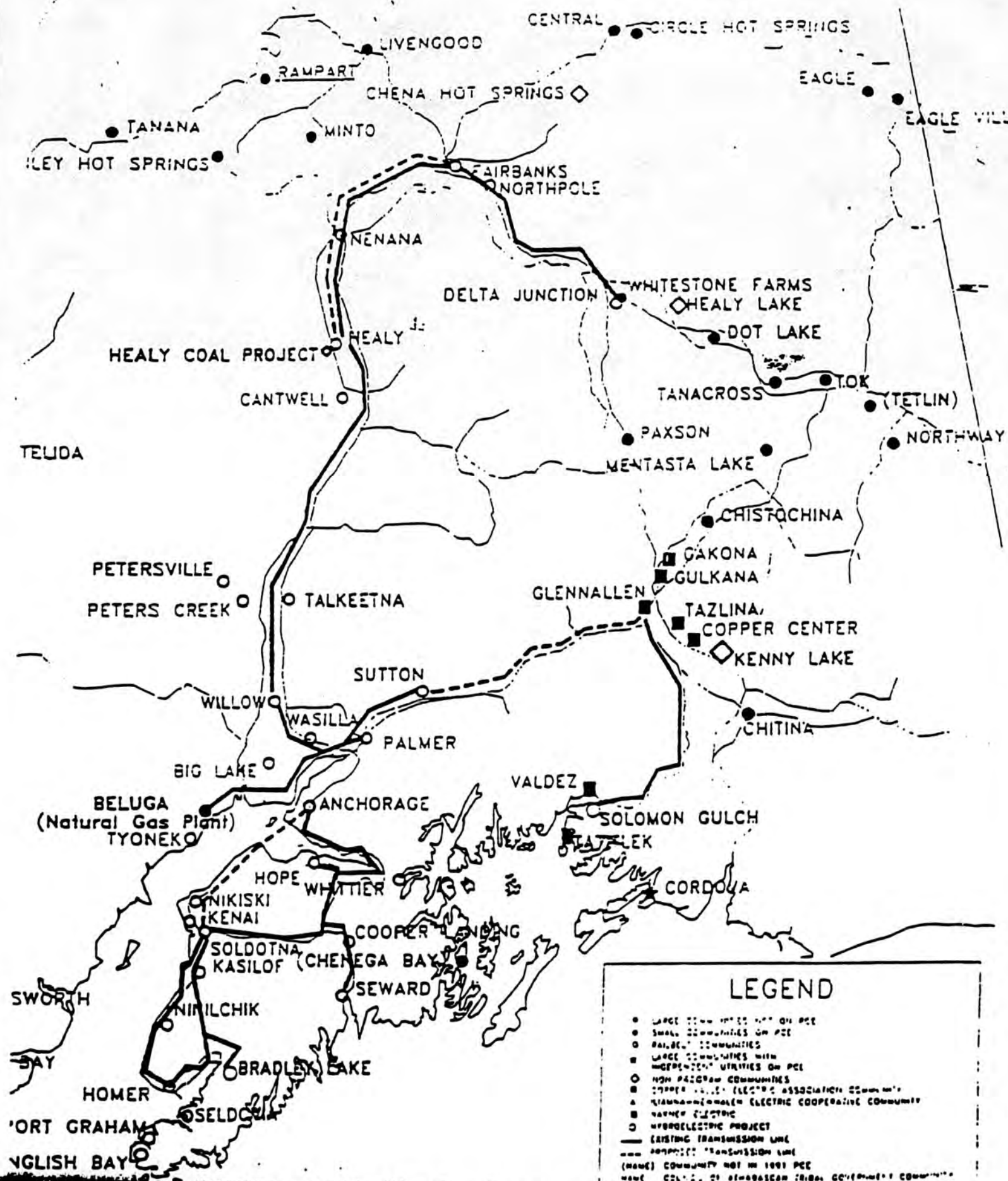
MAR 1995 ADMIN 7,083.19
ST LTS - MTRD 1,657.44
ST LTS - NONMTRD 2,156.30
PARKS & REC 265.18
E UTIL 4,756.25
W&S UTIL 12,695.61
HARBOR 25,297.60
\$ 53,911.57

APR 1995 ADMIN 7,501.69
ST LTS - MTRD 1,510.60
ST LTS - NONMTRD 2,156.30
PARKS & REC 283.22
E UTIL 4,665.24
W&S UTIL 15,082.76
HARBOR 26,000.06
\$ 68,368.46

MAY 1995 ADMIN 7,447.49
ST LTS - MTRD 1,234.53
ST LTS - NONMTRD 2,156.30
PARKS & REC 532.64
E UTIL 3,250.40
W&S UTIL 18,421.88
HARBOR 22,593.37
\$ 55,636.61

JUN 1995 ADMIN 6,078.87
ST LTS - MTRD 882.54
ST LTS - NONMTRD 2,156.30
PARKS & REC 678.37
E UTIL 3,592.98
W&S UTIL 18,925.24
HARBOR 16,748.32
\$ 49,062.62

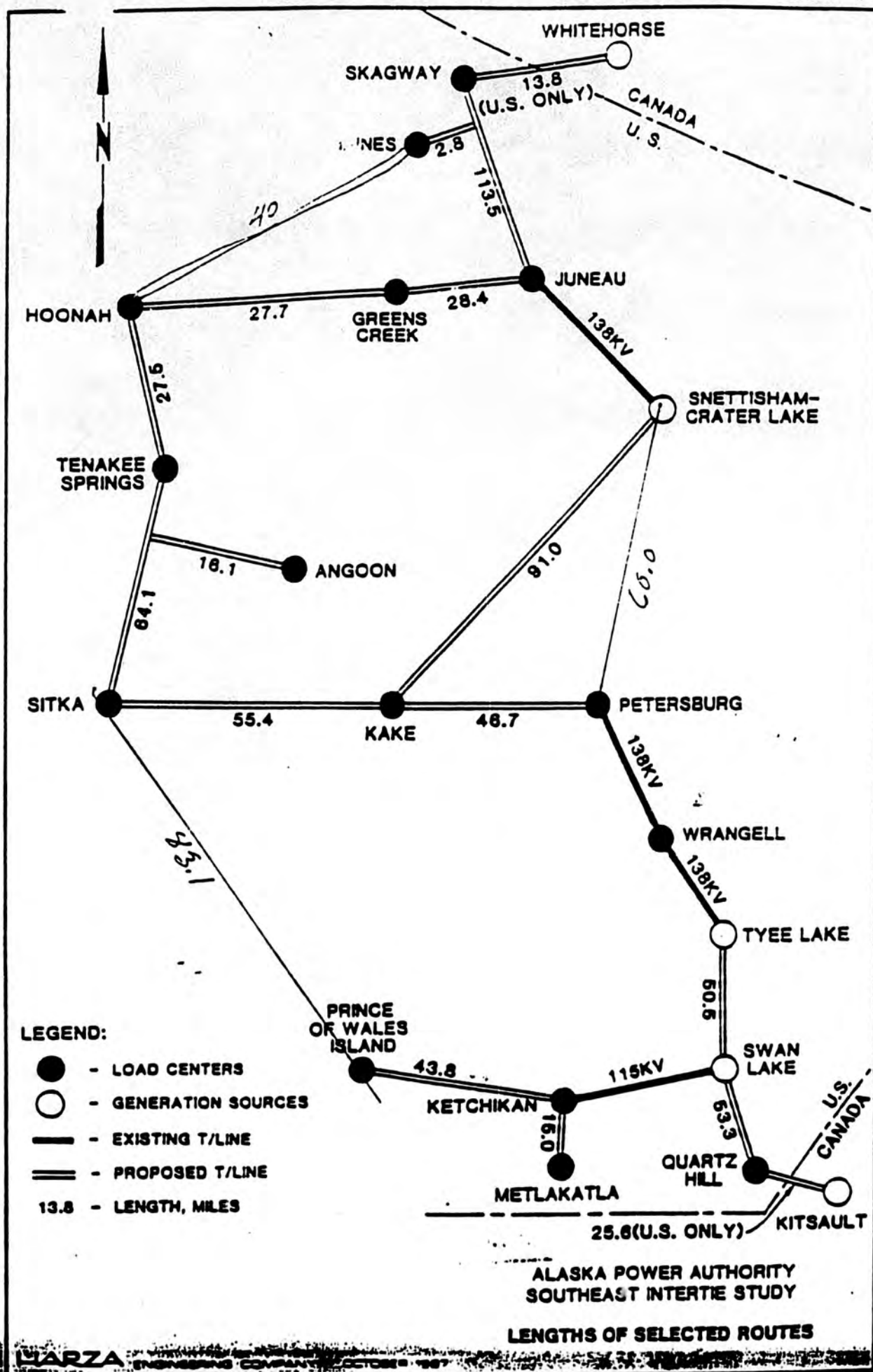
TOTAL COST. \$ 597,785.22



LEGEND

- LARGE COMMUNITIES NOT ON PCE
- SMALL COMMUNITIES ON PCE
- PAID-BY COMMUNITIES
- LARGE COMMUNITIES WITH INDEPENDENT UTILITIES ON PCE
- HIGH PACEWAY COMMUNITIES
- COOPERATIVE ELECTRIC ASSOCIATION COMMUNITIES
- ▲ KIAMAGAK-CHAMBER ELECTRIC COOPERATIVE COMMUNITY
- NORTHERN ELECTRIC
- HYDROELECTRIC PROJECT
- EXISTING TRANSMISSION LINE
- PROPOSED TRANSMISSION LINE
- (NAME) COMMUNITY NOT IN 1991 PCE
- NAME COLLECTIVE ALASKAN TRIBAL GOVERNMENT COMMUNITY
- NAME TUNGLIT-NABA REGIONAL ELECTRIC AUTHORITY COMMUNITY

FIGURE 6-16



Handwritten: 725 MILES



Tom Staudenmaier's

ELECTRIC MERGER COMMITTEE

1303 West 33rd Street, Suite 206 • P.O. Box 140170, Anchorage, Alaska 99514-0170 •
Phone 1-907-276-2212 • Fax 1-907-276-0245

224-8912



FOR IMMEDIATE NEWS RELEASE DATED SEPTEMBER 19, 1997

ATTN: SEWARD ELECTRIC USERS -

WHY ARE YOU BEING RIPPED OFF BY THE SEWARD CITY COUNCIL?

WHY NOT BUY DIRECT FROM CHUGACH ELECTRIC?

HOW? VOTE on a successful merger and your monthly savings could be . . .

Chugach Electric Association, Inc. Anchorage, Alaska

Retail Rate Comparison: Chugach vs. City of Seward

September 17, 1997

Class	Retail Class Rates		Total Bill		
	Chugach	Seward	Chugach	Seward	Percent
Residential					
Customer Charge	\$6.50	\$15.00	—	—	
Energy Charge	\$0.07727	\$0.09170	—	—	
Fuel Surcharge	\$0.01207	\$0.010025	\$73.51	\$92.21	25.44%
Small General Service					
Customer Charge	\$12.50	\$30.00	—	—	
Energy Charge	\$0.07829	\$0.11200	—	—	
Fuel Charge	\$0.01207	\$0.01125	\$100.15	\$149.55	49.33%
Large General Service					
Customer Charge	\$31.00	\$30.00	—	—	
Energy Charge (1 at 200 kWh)	\$0.03043	\$0.07510	—	—	
Energy Charge (> 200 kWh)	\$0.03043	\$0.04340	—	—	
Fuel Surcharge	\$0.01207	\$0.01125	—	—	
Demand Charge	\$11.74	\$13.83	\$1,353.48	\$1,677.37	23.93%

Note: Total bill comparison based on 750 kWh for Residential; 970 kWh for Small General Service; and, 18,134 kWh/47 kW for Large General Service 52% load factor.

A Positive Solution to Reduce Your Monthly Electric Bill!

The Best and Brightest Ideas Energizing in the State of Alaska!



CHUGACH ELECTRIC ASSOCIATION, INC.

March 31, 1997

Thomas G. Staudenmaier
P.O. Box 140170
Anchorage, Alaska 99514

Dear Mr. Staudenmaier:

Following is a recapitulation of Chugach's net average cost to generate a kilowatt hour (average of all power plants):

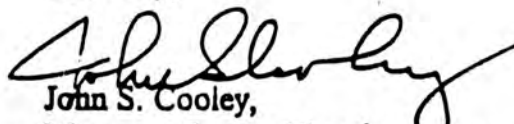
1981	1.574 cents	1989	1.867 cents
1982	1.748 cents	1990	1.996 cents
1983	1.894 cents	1991	2.059 cents
1984	1.910 cents	1992	2.406 cents
1985	1.908 cents	1993	2.651 cents
1986	1.749 cents	1994	2.295 cents
1987	1.780 cents	1995	2.553 cents
1988	1.806 cents	1996	2.591 cents

Based on the information in the Department Energy report ELA-411 for 1995, the following table summarizes the energy generated in Southcentral Alaska. The information in our March 28 letter had percentages for the total Railbelt including Fairbanks.

	GWh	Percentage
Anchorage Municipal Light and Power (AML&P)	734.8	22.34%
Chugach Electric Assoc.	1886.6	57.35%
Alaska Energy Authority (AEA)	442.4	13.45%
Alaska Power Administration (APAdmin)	179.3	5.45%
Alaska Electric Generation and Transmission (AEG&T)	46.6	1.42%
Total Southcentral Alaska	3289.7	100.00%

The average revenue for wholesale power sold to Seward Electric System (SES) and AEG&T is 4.28¢ per kWh.

Sincerely,


John S. Cooley,
Manager, System Planning

5601 Minnesota Drive • P.O. Box 196300 • Anchorage, Alaska 99519-6300
Phone 907-563-7494 • FAX 907-562-0027

Municipality
of
Anchorage



P.O. Box 190650
Anchorage, Alaska 99519-0650
Telephone: (907) 321-4000
Fax: (907) 321-4560
Rick Magnuson, Mayor

OPERATIONS MANAGER

March 17, 1997

Mr. Thomas G. Staudenmaier
P.O. Box 140170
Anchorage, Alaska 99514

Dear Mr. Staudenmaier:

Following is the information you requested about ML&P:

1. The average cost to generate a KWH for ML&P (production expense excluding purchased power and depreciation):

1990 3.58
1991 3.98
1992 3.14
1993 3.61
1994 3.03
1995 3.14
1996 2.89

2. Number of customers December 1996: 29,166

3. Total number of employees, by class, for year end 1996:

Non-Rep: 69
IBEW: 155

4. Copy of approved 1997 budget is attached.

5. Total operational payroll and benefits budgeted for 1997:

Personnel Costs	\$10,026,000
Benefits	\$ 4,019,000

6. The minimum monthly residential customer charge as of 12/31/96:
\$6.56

The minimum monthly small general service customer charges as of 12/31/96:
\$12.88

7. The cost per residential single phase KWH as of 12/31/96 is:
8.803 cents per KWH plus \$6.56/month customer charge.

The cost for the first 750 KWH (residential): \$70.07 including COPA and RCC
as of 12/31/96.

The cost for the first 750 KWH (commercial): \$74.34 including COPA and RCC
as of 12/31/96.

8. COPA was (.00367) as of 12/31/96 and (.00329) as of 1/1/97.

9. A) The total miles of transmission line: 25
B) Total miles of distribution overhead: 144
C) Total miles of distribution underground: 205
D) Total miles of energized line: 374

10. ML&P long-term debt (including unamortized discount):

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
178,830,861	173,365,450	323,189,260	314,616,384	305,319,125

11. ML&P long term debt interest:

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
11,982,274	11,658,483	12,556,907	18,442,717	18,018,738

12. ML&P long term principal maturing current year:

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
5,200,000	5,490,000	6,105,000	8,105,000	8,540,000

Mr. Thomas G. Staudenmaier
Page 3

13. During 1996, the operating costs for purchased electricity were as follows:

APA - Eklutna	1,345,667
AEA - Bradley	3,372,054
CEA	3,693
GVEA	214
MEA - Eklutna	<u>77,675</u>
	4,799,303

14. 1996 Billings:

	<u>Revenue</u>
Municipality of Anchorage	\$ 3,984,250
Anchorage School District	\$ 2,180,876

The information regarding how much electrical power the Municipality purchased in 1996 from electrical utilities is not available at this time. I will send you this information as soon as it becomes available.

If you have further questions, do not hesitate to contact us.

Sincerely,


George I. Vakalis
Operations Manager



GOLDEN VALLEY ELECTRIC ASSOCIATION INC. PO Box 71249 • Fairbanks, Alaska 99707-1249 • 907-452-1151

**GVEA'S Net Average Cost
to Generate a Kilowatt Hour***

1982	7.660 cents
1983	6.873 cents
1984	6.770 cents
1985	5.089 cents
1986	3.577 cents
1987	5.413 cents
1988	5.541 cents
1989	5.854 cents
1990	5.441 cents
1991	5.746 cents
1992	6.027 cents
1993	5.049 cents
1994	5.243 cents
1995	5.245 cents
1996	5.546 cents
1997	5.336 cents

*Includes insurance, depreciation, interest, operations & maintenance

Power Generation

<u>Fairbanks/ Year</u>	<u>North Pole</u>	<u>Healy</u>	<u>Purchased</u>
1982	33%	55%	12%
1983	42%	51%	7%
1984	52%	44%	4%
1985	44%	41%	15%
1986	53%	33%	14%
1987	25%	34%	41%
1988	27%	34%	39%
1989	22%	34%	44%
1990	16%	35%	49%
1991	23%	34%	43%
1992	21%	30%	49%
1993	29%	36%	35%
1994	26%	29%	45%
1995	24%	30%	46%
1996	40%	17%	43%
1997	43%	16%	41%

12/31/97

\$ 73.52
\$102.07

12/31/96

\$ 71.42
\$ 104.17

R
GS1

750 kWh includes customer charge
750 kWh includes customer charge

CHUGACH ELECTRIC ASSOCIATION, INC.
Retail Rate Comparison: Chugach vs. Anchorage Municipal Light Power
November 26, 1997

CLASS	RETAIL CLASS RATES		TOTAL BILL		
	Chugach	ML&P	Chugach	ML&P	Variance
Residential					
Customer Charge (monthly)	\$ 6.25	\$ 6.56	\$ 6.25	\$ 6.56	
Energy Charge (per kwh)	\$ 0.07727	\$ 0.08803	\$ 57.95	\$ 66.02	
Fuel Surcharge (per kwh)	\$ 0.01207	\$ (0.00284)	\$ 9.05	\$ (2.13)	
			\$ 73.25	\$ 70.45	-4%
Small General Service					
Customer Charge (monthly)	\$ 12.50	\$ 12.88	\$ 12.50	\$ 12.88	
Energy Charge (per kwh)	\$ 0.07829	\$ 0.08530	\$ 75.94	\$ 82.74	
Fuel Surcharge (per kwh)	\$ 0.01207	\$ (0.00284)	\$ 11.71	\$ (2.75)	
			\$ 100.15	\$ 92.87	-7%
Large General Service*					
Customer Charge (monthly)	\$ 31.00	\$ 44.15	\$ 31.00	\$ 44.15	
Energy Charge (per kwh)	\$ 0.03043	\$ 0.04970	\$ 551.82	\$ 901.26	
Fuel Surcharge (per kwh)	\$ 0.01207	\$ (0.00284)	\$ 218.88	\$ (51.50)	
Demand Charge (per kilowatt)	\$ 11.74	\$ 11.01	\$ 551.78	\$ 517.47	
* At secondary voltage.			\$ 1,353.48	\$ 1,411.38	4%
Notes: 1) Total bill comparison based on 750 kwh for Residential; 970 kwh for Small General Service; and 18,134 kwh/47 kw for Large General Service (52% load factor). 2) On Nov. 21, 1997, Chugach filed for a proposed increase to its retail fuel surcharge from \$0.01207/kwh to \$0.01747/kwh. Chugach submitted the filing with a proposed effective date of Jan. 1, 1998.					

CHUGACH ELECTRIC ASSOCIATION, INC.
Retail Rate Comparison: Chugach vs. Anchorage Municipal Light Power
November 26, 1997

WITH PROPOSED JAN. 1, 1998 FUEL SURCHARGE INCREASE

CLASS	RETAIL CLASS RATES		TOTAL BILL		
	Chugach	ML&P	Chugach	ML&P	Variance
Residential					
Customer Charge (monthly)	\$ 6.25	\$ 6.56	\$ 6.25	\$ 6.56	
Energy Charge (per kwh)	\$ 0.07727	\$ 0.08803	\$ 57.95	\$ 66.82	
Fuel Surcharge (per kwh)	\$ 0.01747	\$ (0.00284)	\$ 13.10	\$ (2.13)	
			\$ 77.30	\$ 70.45	-9%
Small General Service					
Customer Charge (monthly)	\$ 12.50	\$ 12.88	\$ 12.50	\$ 12.88	
Energy Charge (per kwh)	\$ 0.07829	\$ 0.08530	\$ 75.94	\$ 82.74	
Fuel Surcharge (per kwh)	\$ 0.01747	\$ (0.00284)	\$ 16.95	\$ (2.75)	
			\$ 105.39	\$ 92.87	-12%
Large General Service*					
Customer Charge (monthly)	\$ 31.00	\$ 44.15	\$ 31.00	\$ 44.15	
Energy Charge (per kwh)	\$ 0.03043	\$ 0.04970	\$ 551.82	\$ 901.26	
Fuel Surcharge (per kwh)	\$ 0.01747	\$ (0.00284)	\$ 316.80	\$ (51.50)	
Demand Charge (per kilowatt)	\$ 11.74	\$ 11.01	\$ 551.78	\$ 517.47	
			\$ 1,451.40	\$ 1,411.38	-3%

Notes: 1) Total bill comparison based on 750 kwh for Residential; 970 kwh for Small General Service; and 18,134 kwh/47 kw for Large General Service (52% load factor).

2) On Nov. 21, 1997, Chugach filed for a proposed increase to its retail fuel surcharge from \$0.01207/kwh to \$0.01747/kwh. Chugach submitted the filing with a proposed effective date of Jan. 1, 1998.



Metanusa Electric Association
PO Box 1929 Palmer Alaska 99645-2929
745-3231 • 454-2161 • 376-7237 •
Toll-free 800-478-8160

MEMBER INFORMATION BULLETIN *RATES 98-01*

January 8, 1998

To: All MEA Members/Customers
From: Member and Public Relations Office
Subject: *APUC-Approved Rates effective January 8, 1998*

Understanding Bills for SINGLE-PHASE SERVICE (mostly Residential customers)

On your MEA bill you will find previous balance and payment received below the account information boxes. The account information boxes will have the account number, member number, customer's name, service location phone number and meter number.

ADJUSTMENTS

This box shows any adjustments to your account. These could be a charge or credit to your account such as records fee, deposit reimbursement, estimating adjustments and so on. These will be totaled, if any, and carried to the right side of the bill.

CURRENT MONTH'S CHARGES

Facility Charge: \$7.00 (lowered from \$10.00 Feb. 96)
First Step: kwh up to 1,300 @ (times) \$0.09596
Next Step: kwh over 1,300 @ (times) \$0.07797
WPCRA²: total kwh @ (times) \$0.01283
Regulatory Charge¹: total kwh @ (times) \$0.000280
Annual Minimum for Seasonal Service \$84.00

Three Phase Charge: (For Three Phase customers only)

Facility Charge: \$25.00
Demand Charge: \$4.93/kW
Energy Charge: \$0.06101/kWh
WPCRA: \$0.01283/kWh
Regulatory Charge: \$0.000280/kWh

These will be totaled and carried to the right side of the bill.

MESSAGES

Messages for MEA members can be found in this box. The messages can be specific to certain areas or general messages about rate changes, scholarship announcements, or community events.

ACCOUNT STATUS

This box gives a list of your account status. If the account is past due, it will say that. The right side of this box also tells how much of a late fee can be saved if the bill is paid by the listed due date. To the far right of this box is the total amount due on your account.

HISTORICAL INFORMATION

This box gives a list of the number of days in each month's billing cycle. It also lists the kilowatt hours used for that billing period, the daily average of kilowatt hours used for that billing period and the average temperature that month.

Streetlights installed before December 1981: \$17.03 per lamp/month

Other Streetlights:

150 Watts \$15.09 per lamp/month
250 Watts \$18.97 per lamp/month

[MEA MPR Rates.98-01 rate.doc]

¹ Facilities Charge: A flat monthly charge designed to cover the costs of customer accounting, issuing your monthly bill, maintaining and reading meters, and capital costs associated with metering equipment.

² WPCRA or Wholesale Power Cost Rate Adjustment: An adjustment to reflect fluctuations in the cost of purchased power. This may be a charge or credit.

Regulatory Charge or RCO: A charge or credit to reflect the cost of the Alaska Public Utilities Commission's regulatory costs.

To: All Matanuska Electric Association Members/Customers

From: Member Relations Office

Subject: Comparison for example KWH for the year

Formula = \$7.00 + [kwh x (.Base + WPCRA + APUC)] = Actual Bill



Formula = \$7.00 + [kwh x (.Base + WPCRA + RCC + APUC)] = Actual Bill

Example of 500 kwh

Example of 750 kwh

Example of 1,000 kwh

Date	Base	WPCRA	RCC	Total Rate +	Facility C	Example of 500 kwh	Example of 750 kwh	Example of 1,000 kwh	
Jan-88	0.09001	-0.000500		=	0.08951	\$10.00	\$ 54.76	\$ 77.13	\$ 99.51
Apr-88	0.09001	-0.000390		=	0.08962	\$10.00	\$ 54.81	\$ 77.22	\$ 99.62
Jul-88	0.09078	-0.005140		=	0.08564	\$10.00	\$ 52.82	\$ 74.23	\$ 95.64
Oct-88	0.09078	-0.005090		=	0.08569	\$10.00	\$ 52.85	\$ 74.27	\$ 95.69
Jan-89	0.09078	-0.002440		=	0.08834	\$10.00	\$ 54.17	\$ 76.26	\$ 98.34
Apr-89	0.08719	0.002050		=	0.08924	\$10.00	\$ 54.62	\$ 76.93	\$ 99.24
Jul-89	0.08573	0.002040		=	0.08777	\$10.00	\$ 53.89	\$ 75.83	\$ 97.77
Oct-89	0.08573	0.002110		=	0.08784	\$10.00	\$ 53.92	\$ 75.88	\$ 97.84
Jan-90	0.08573	0.004390		=	0.09012	\$10.00	\$ 55.06	\$ 77.59	\$ 100.12
Apr-90	0.08573	0.003740		=	0.08947	\$10.00	\$ 54.74	\$ 77.10	\$ 99.47
Jul-90	0.08912	0.004290		=	0.09341	\$10.00	\$ 56.71	\$ 80.06	\$ 103.41
Oct-90	0.08912	0.002400		=	0.09152	\$10.00	\$ 55.76	\$ 78.64	\$ 101.52
Jan-91	0.08912	0.009270		=	0.09839	\$10.00	\$ 59.20	\$ 83.79	\$ 108.39
Apr-91	0.08912	0.004000		=	0.09312	\$10.00	\$ 56.56	\$ 79.84	\$ 103.12
Jul-91	0.08418	0.006530		=	0.09071	\$10.00	\$ 55.36	\$ 78.03	\$ 100.71
Oct-91	0.08418	0.005990		=	0.09017	\$10.00	\$ 55.09	\$ 77.63	\$ 100.17
Jan-92	0.08418	0.006760		=	0.09094	\$10.00	\$ 55.47	\$ 78.21	\$ 100.94
Apr-92	0.08418	0.013410		=	0.09759	\$10.00	\$ 58.80	\$ 83.19	\$ 107.59
Jul-92	0.08884	0.007610		=	0.09645	\$10.00	\$ 58.23	\$ 82.34	\$ 106.45
Nov-92	0.08991	0.007350		=	0.09726	\$10.00	\$ 58.63	\$ 82.95	\$ 107.26
Oct-92	0.08991	0.009480		=	0.09939	\$10.00	\$ 59.70	\$ 84.54	\$ 109.39
Jan-93	0.08901	0.010890	0.000626	=	0.100526	\$10.00	\$ 60.26	\$ 85.39	\$ 110.53
Apr-93	0.08724	0.011110	0.000626	=	0.098976	\$10.00	\$ 59.49	\$ 84.23	\$ 108.98
Jul-93	0.08724	0.010190	0.000626	=	0.098056	\$10.00	\$ 59.03	\$ 83.54	\$ 108.06
Oct-93	0.08724	0.010000	0.000626	=	0.097866	\$10.00	\$ 58.93	\$ 83.40	\$ 107.87
Aug-93	0.08724	0.009040	0.000386	=	0.096666	\$10.00	\$ 58.33	\$ 82.50	\$ 106.67
Jan-94	0.08812	0.010730	0.000386	=	0.099236	\$10.00	\$ 59.62	\$ 84.43	\$ 109.24
May-94	0.08812	0.016210	0.000386	=	0.104716	\$10.00	\$ 62.36	\$ 88.54	\$ 114.72
Jul-94	0.08812	0.014870	0.000386	=	0.103376	\$10.00	\$ 61.69	\$ 87.53	\$ 113.38
Oct-94	0.08812	0.006880	0.000386	=	0.095386	\$10.00	\$ 57.69	\$ 81.54	\$ 105.39
Nov-94	0.08812	0.006880	0.000412	=	0.095412	\$10.00	\$ 57.71	\$ 81.56	\$ 105.41
Jan-95	0.08812	0.012600	0.000412	=	0.101132	\$10.00	\$ 60.57	\$ 85.85	\$ 111.13
Apr-95	0.08629	0.011330	0.000412	=	0.098032	\$10.00	\$ 59.02	\$ 83.52	\$ 108.03
Jul-95	0.08629	0.007460	0.000000	=	0.09375	\$10.00	\$ 56.88	\$ 80.31	\$ 103.75
Oct-95	0.08703	0.005220	0.000322	=	0.092572	\$10.00	\$ 56.29	\$ 79.43	\$ 102.57
Jan-96	0.08703	0.009280	0.000322	=	0.096632	\$10.00	\$ 58.32	\$ 82.47	\$ 106.63
Feb-96	0.0996	0.000780	0.000322	=	0.100702	\$7.00	\$ 57.35	\$ 82.53	\$ 107.70
Apr-96	0.0996	0.001190	0.000322	=	0.101112	\$7.00	\$ 57.56	\$ 82.83	\$ 108.11
Jun-96	0.09855	0.002370	0.000322	=	0.101242	\$7.00	\$ 57.62	\$ 82.93	\$ 108.24
Jul-96	0.09855	0.002650	0.000322	=	0.101522	\$7.00	\$ 57.76	\$ 83.14	\$ 108.52
Oct-96	0.09855	0.002930	0.000322	=	0.101802	\$7.00	\$ 57.90	\$ 83.35	\$ 108.80
Jan-97	0.09855	0.002930	0.000297	=	0.101777	\$7.00	\$ 57.89	\$ 83.33	\$ 108.78
Apr-97	0.09644	0.002240	0.000297	=	0.098977	\$7.00	\$ 56.49	\$ 81.23	\$ 105.98
Jul-97	0.09596	0.002600	0.000297	=	0.098857	\$7.00	\$ 56.43	\$ 81.14	\$ 105.86
Oct-97	0.09596	0.005930	0.000297	=	0.102187	\$7.00	\$ 58.09	\$ 83.64	\$ 109.19
Jan-98	0.09596	0.012830	0.000280	=	0.10907	\$7.00	\$ 61.54	\$ 88.80	\$ 116.07

Date Base WPCRA APUC Total Rate + Facility C 500 kwh 750 kwh 1,000 kwh

Note: Monthly electric bills are based on kilowatt-hours (kwh) used - your electric bill may vary.

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

P.O. Box 71249

753 ILLINOIS STREET

FAIRBANKS, AK 99707-1249

(907) 452-1151

(907) 451-5633 (FAX)

C O V E R

S H E E T

FAX

To: Tom Staudenmaier

From: Teresa A. Thompson
Administrative Assistant to Robert Hansen

Fax No: 276-0245

Re: Estimated Electric Savings in 1997

Date: November 5, 1997

Pages: 2, including this cover sheet.

COMMENTS:

Tom: Following is the information you requested. Robert wanted me to convey that these figures are based on a whole year's worth of savings. If you have any questions, please call.

If you have any trouble receiving this fax, please call Teresa at 458-5721.

May 8, 1996

Wayne Graham
Pacific Telecom Inc.
805 Broadway
Vancouver, WA 98660

RE: Information Request

Estimated Electric Savings in 1997

City of Fairbanks	\$ 25,000
Churches & Non-Profits	\$125,000
Fairbanks North Star Borough- School District	\$200,000
Fairbanks North Star Borough-Other	\$300,000
Fairbanks Memorial Hospital	\$350,000
State of Alaska	\$300,000

Gross Revenue Tax

1997	\$36,000 (1/2 year)
1998	\$73,000
1999	\$74,000
2000	\$74,000
2001	\$74,000

Service Area Map

Attached

Logo

Attached

Comments on Draft

Sometime on Friday. Please send latest draft on Thursday afternoon.

To: Tom Stadenmaier
 FROM: Mayor Hayes

10/7/97

75-3503-00-2 CITY OF FAIRBANKS CLOSING RECDROM

DLD/DLO/ / / / /

S

97100700231 143
 CASH DEPOSIT
 WIRE FROM BANK OF AMERICA- FROM
 PACIFIC TELECOM, INC.

83,860,216.00

97100700232 143
 CASH DEPOSIT
 WIRE FROM BANK OF AMERICA / FROM
 PACIFIC TELECOM INC

1,500,000.00

97100700234 143
 CASH DEPOSIT
 FROM NDA ACCT. #17311809- GOLDEN
 VALLEY ELECTRIC

25,810,275.71

97100700236 143
 CASH DEPOSIT
 WIRE FROM FIRST NATIONAL BANK OF
 ANCHORAGE/ FAIRBANKS SEWER

1,436,407.00

97100700238 646
 DISBURSEMENT
 OUTGOING WIRE TO FIRST TRUST NA

39,210,000.00-

97100700349 646
 DISBURSEMENT
 WIRE TO KEY BANK

1,500,000.00-

97100700338 619
 TRANSFER TO ANOTHER TRUST ACCOUNT
 TO ACCT. #753504000

8,450,000.00-

97100700339 619
 TRANSFER TO ANOTHER TRUST ACCOUNT
 TO ACCT. #753509553

1,000,000.00-

97100700340 619
 TRANSFER TO ANOTHER TRUST ACCOUNT

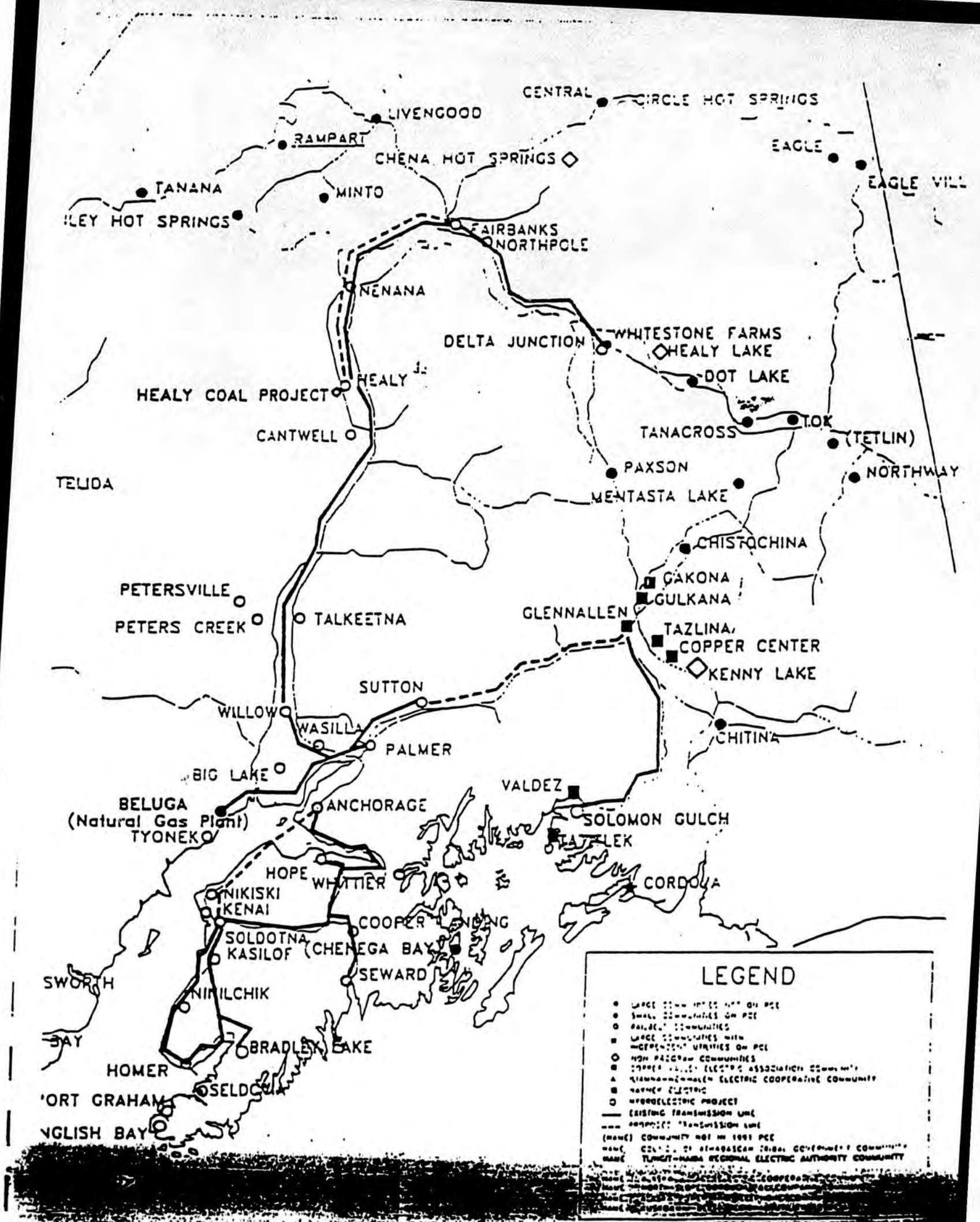
60,951,898.71-

111,187,490.00

CITY OF SEWARD - ELECTRIC BILLING BREAKDOWN FOR FY95

JUL 1994	ADMIN	4,372.84	JAN 1995	ADMIN	7,178.77
	ST LTS - MTRD	965.83		ST LTS - MTRD	2,307.45
	ST LTS - NONMTRD	2,156.30		ST LTS - NONMTRD	2,156.30
	PARKS & REC	2,749.63		PARKS & REC	293.25
	E UTIL	5,127.70		E UTIL	3,525.18
	W&S UTIL	18,137.23		W&S UTIL	13,944.89
	HARBOR	9,074.25		HARBOR	23,169.66
		<i>\$ 42,533.78</i>			<i>\$ 52,575.50</i>
AUG 1994	ADMIN	5,956.37	FEB 1995	ADMIN	8,353.21
	ST LTS - MTRD	1,555.61		ST LTS - MTRD	2,412.00
	ST LTS - NONMTRD	2,156.30		ST LTS - NONMTRD	2,156.30
	PARKS & REC	641.65		PARKS & REC	319.63
	E UTIL	5,438.39		E UTIL	4,122.73
	W&S UTIL	25,897.56		W&S UTIL	14,377.76
	HARBOR	9,887.35		HARBOR	21,932.84
		<i>\$ 51,533.23</i>			<i>\$ 53,674.47</i>
SEP 1994	ADMIN	5,407.25	MAR 1995	ADMIN	7,083.19
	ST LTS - MTRD	1,131.72		ST LTS - MTRD	1,657.44
	ST LTS - NONMTRD	2,156.30		ST LTS - NONMTRD	2,156.30
	PARKS & REC	630.67		PARKS & REC	265.18
	E UTIL	5,200.35		E UTIL	4,756.25
	W&S UTIL	19,698.94		W&S UTIL	12,695.61
	HARBOR	6,174.35		HARBOR	25,297.60
		<i>\$ 40,377.53</i>			<i>\$ 53,911.57</i>
OCT 1994	ADMIN	5,930.64	APR 1995	ADMIN	7,501.69
	ST LTS - MTRD	1,746.72		ST LTS - MTRD	1,510.60
	ST LTS - NONMTRD	2,156.30		ST LTS - NONMTRD	2,156.30
	PARKS & REC	504.28		PARKS & REC	283.22
	E UTIL	3,873.45		E UTIL	4,665.24
	W&S UTIL	15,432.76		W&S UTIL	15,082.76
	HARBOR	16,448.71		HARBOR	26,000.06
		<i>\$ 46,092.86</i>			<i>\$ 68,368.46</i>
NOV 1994	ADMIN	7,258.45	MAY 1995	ADMIN	7,447.49
	ST LTS - MTRD	2,022.98		ST LTS - MTRD	1,234.53
	ST LTS - NONMTRD	2,156.30		ST LTS - NONMTRD	2,156.30
	PARKS & REC	463.61		PARKS & REC	532.64
	E UTIL	4,834.37		E UTIL	3,250.40
	W&S UTIL	15,924.71		W&S UTIL	18,421.88
	HARBOR	18,063.10		HARBOR	22,593.37
		<i>\$ 32,679.05</i>			<i>\$ 55,636.61</i>
DEC 1994	ADMIN	7,394.18	JUN 1995	ADMIN	6,078.87
	ST LTS - MTRD	2,405.65		ST LTS - MTRD	882.54
	ST LTS - NONMTRD	2,156.30		ST LTS - NONMTRD	2,156.30
	PARKS & REC	378.04		PARKS & REC	678.37
	E UTIL	5,756.87		E UTIL	3,592.98
	W&S UTIL	16,459.68		W&S UTIL	18,925.24
	HARBOR	16,716.77		HARBOR	16,748.32
		<i>\$ 51,267.49</i>			<i>\$ 49,062.62</i>

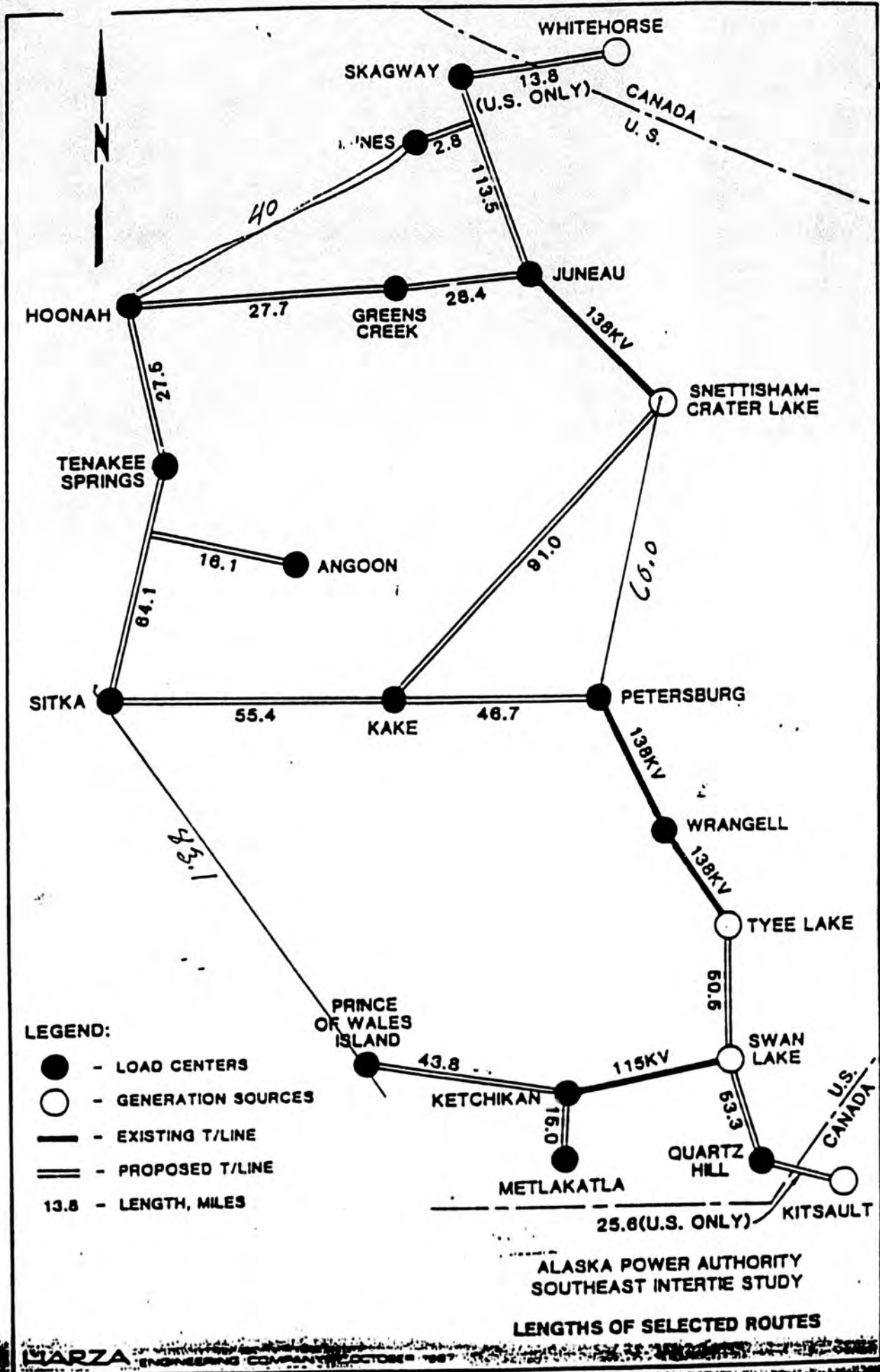
TOTAL COST. \$ 597,785.22



LEGEND

- LARGE COMMUNITIES ON PGE
- SMALL COMMUNITIES ON PGE
- RAILROAD COMMUNITIES
- LARGE COMMUNITIES WITH HYDROELECTRIC UTILITIES ON PGE
- NON-PAGE COMMUNITIES
- TROPICAL ELECTRIC ASSOCIATION COMMUNITY
- ▲ KIAMOCHAGAN ELECTRIC COOPERATIVE COMMUNITY
- NATIVE ELECTRIC
- HYDROELECTRIC PROJECT
- EXISTING TRANSMISSION LINE
- - - PROPOSED TRANSMISSION LINE
- (NAME) COMMUNITY NOT IN 1991 PGE
- (NAME) COMMUNITY TO BE ACQUIRED FROM GOVERNMENT COMMUNITY
- (NAME) TLEUT-HABA REGIONAL ELECTRIC AUTHORITY COMMUNITY

FIGURE 6-16



Crust Energy 725 MILES



**Matanuska Electric
Association, Inc.**

P.O. Box 2929
Palmer, Alaska 99645
Telephone: (907) 745-3231
Fax: (907) 745-9328

April 11, 1996

Mr. Thomas Staudenmaier
PO Box 140170
Anchorage, AK 99514-0170

Dear Mr. Staudenmaier:

The updated information which you requested regarding insurance benefits for directors is as follows:

1. Non-profit Liability

Coverage provides protection for wrongful acts of directors, officers, and employees including breach of duty, neglect, misstatement, omission, and other acts done or wrongfully attempted. The policy includes coverage for employment practices, non-monetary claims and duty to defend. Limit of liability is \$5 million.

2. General Liability

Coverage for injuries or damages to a third party when MEA is responsible for the loss. The policy also provides coverage for employee benefits liability. Limit of liability is \$1 million.

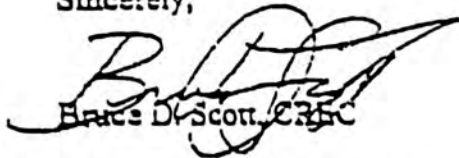
3. Twenty-four Hour Accident/Business Travel Accident Insurance

Provides directors with \$25,000 of financial reimbursement for accidental death, dismemberment or disability resulting from an accident. \$100,000 of coverage if accident occurs during a business trip.

Non-profit Liability coverage and General Liability coverage are included in our general liability insurance package and do not cost MEA additional premium dollars to insure its directors. We pay approximately \$200.00 in order to provide Twenty-four Hour Accident and Business Travel Accident coverage while our directors are traveling on MEA business.

If you have additional questions, please submit those to me by FAX at 907-745-9328 or by mail at the address listed above.

Sincerely,


Bruce D. Scott, CREC



MEA

MEMORANDUM

DATE: November 3, 1995

TO: Jim Woodcock
Director of Administration

FROM: Debbi Wiles 
Accounting Services Manager

SUBJECT: Legal Expenses

Below is the detail on the legal expense for 1994, year-to-date for 1995 and the 1996 budget:

1994	Actuals	MEA	\$355,435	
		AEG&T	\$ 74,550	Total \$429,985
1995	Actuals-	MEA	\$340,733	
	YTD 9/30	AEG&T	\$ 16,409	Total \$357,142
1996	Budget:	MEA	\$278,000	
		AEG&T	\$ 26,750	Total \$304,750

Delaney, Wiles, Hayes, Gerety & Ellis Inc.

1994 Actuals \$ 59,028

1995 Actuals \$172,247 year-to-date 9/30/95

(these dollars are included in above numbers)

word\data\budget\legal

ATTEST:



William A. Folsom
Secretary-Treasurer

(CORPORATE SEAL)

13. Place of Suit: Any action at law, suit in equity, or other judicial proceeding for the enforcement of this Contract or any provision thereof shall be instituted only in the Superior Court for the State of Alaska, Third Judicial District.

14. Assignment: This is a personal agreement. Carmony may not assign or transfer any of his rights under this Agreement.

15. Successors and Assigns: The rights, obligations, and liabilities set forth in or arising under this Agreement shall extend to, be binding upon, and inure to the benefit of the successors and assigns of the respective parties.

16. Entire Agreement: This Agreement contains the entire agreement between the parties and shall, as of the effective date hereof, supersede all other agreements between the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement at Palmer, Alaska on the 15th day of February, 1994.

EMPLOYEE:

MATANUSKA ELECTRIC ASSOCIATION,
INC.
P.O. Box 2929
Palmer, AK 99645

Wayne D. Carmony
Wayne D. Carmony
General Manager

Barbara J. Miller
Barbara J. Miller
President

express written policies of MEA or state or federal laws with the effect of injuring MEA's business interests, and

such refusal, negligence, or failure shall have continued, after written notice, authorized by a vote of a majority of the entire Board, to Carmony, for a period of ten (10) days in which time Carmony shall have had the opportunity to cure such failure. "With cause" shall also include the conviction of a felony or a crime involving grave infringement of the moral sentiment of the community.

(c) In no event shall "with cause" be deemed to include circumstances surrounding, or arising out of, directly or indirectly, disputes between MEA and any organization with which MEA is negotiating or signatory to an agreement.

10. Board Policy: Notwithstanding anything in this Agreement to the contrary, Carmony may authorize staff, on a case-by-case basis, to depart from established Board policy if, in his judgment, such departure:

- (a) Advances the best interests of MEA; and
- (b) Does not substantially or materially increase MEA's potential liability.

11. Modification Agreement: Any modification of this Agreement shall be binding only if in writing and signed by each party.

12. Choice of Laws: This Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.

Carmony's termination date and the last February 15 during which this Agreement is in effect. Except upon termination, Carmony shall not be paid or otherwise compensated for unused annual leave time. During each calendar year for which this Agreement is in effect, Carmony shall be required to take a minimum of five (5) consecutive working days as vacation. Example: If Carmony has 100 days in his vacation reserve account on February 14, 2010 and his last day of employment is June 15, 2010, then Carmony would be paid for 115 days, less any days used subsequent to February 15, 2010.

9. Termination:

(a) Carmony may terminate this Agreement upon one hundred eighty (180) days advance written notice to the Board. To the extent Carmony's schedule reasonably so allows, Carmony will work with the Board in good faith to facilitate the transition of a successor to his position as general manager of MEA.

(b) MEA may terminate this Agreement with or without cause upon thirty (30) days advance written notice to Carmony provided if MEA terminates this Agreement without cause, Carmony shall be paid, as severance pay, an amount equal to his salary for the remainder of the term of this Agreement, plus an amount equal to the value of any accrued annual leave and all other normal benefits of which he would otherwise be deprived for the remainder of his term.

The phrase "with cause", shall mean Carmony has (i) willfully and in bad faith, refused or neglected to carry out the reasonable duties or instructions which may have been assigned to him by the Board, or (ii) willfully and substantially failed to comply with the

6. Benefits:

(a) Carmony shall be entitled to participate or otherwise be a party to any retirement plan, or any other MEA-employee benefit program such as group medical insurance, by way of example. MEA shall reimburse Carmony for all necessary expenses incurred by Carmony while travelling in the normal course of the business interests of MEA.

(b) In lieu of reimbursing Carmony on a per mile basis for the use of his vehicle in connection with MEA business, MEA shall pay Carmony a vehicle allowance of Five Hundred and no/100 Dollars (\$500) per month. In addition, MEA shall reimburse Carmony, or pay directly on his behalf, all operating costs, including fuel and maintenance costs, incurred by Carmony in connection with the use of his vehicle, whether for personal or business purposes. Prior to using his vehicle for MEA business, Carmony shall provide MEA with such certificate of insurance as MEA may reasonably require.

7. Insurance, Indemnification: MEA shall add Carmony as an additional insured under its managers, officers and directors liability insurance policy. In addition, MEA shall indemnify, defend and hold Carmony harmless from all claims, actions and damages arising out of or otherwise resulting from Carmony's performance of his duties hereunder except for any claims, actions or damages arising out of or resulting from Carmony's willful misconduct.

8. Vacation: Carmony shall earn paid annual leave at the rate of forty-five (45) working days per year, the entirety of which shall be credited to his vacation reserve account on February 15 of each year during which this Agreement is in effect, except that in connection with Carmony's termination, such 45 days shall be prorated between

3. Term of Employment: The term of this Agreement shall be a period of five (5) years, commencing February 14, 1995, and shall be automatically extended in one (1) year increments unless the Board takes formal action negating such automatic extension on or before February 14 of each year. Notwithstanding anything in this Agreement to the contrary, this Agreement shall terminate no later than February 14, 2015.

4. Compensation:

(a) MEA shall pay Carmony in full payment of Carmony's services under this Agreement compensation at the rate of Ninety Thousand and no/100 Dollars ^{125,000} ~~(\$90,000)~~ per year, payable in regular installments on the dates and times that other employees of MEA are paid. In addition, Carmony shall be entitled to any additional benefits under any wage and salary administration plan as may be adopted by MEA for its other non-union employees or as may otherwise be mutually agreed in writing between the Board and Carmony.

(b) On or before October 31 of each year during which this Agreement is in effect, the Board shall in good faith review Carmony's performance and may increase his salary for merit, cost of living and/or other factors by amending paragraph 4(a) above. The Board may elect to provide Carmony additional forms of compensation from time to time including but not limited to bonuses and benefit packages. Such additional forms of compensation shall be in addition to the compensation identified in Section 4(a) above.

5. Relocation Allowance: MEA will in good faith consider any additional expenses incurred by Carmony in connection with his relocation to Alaska.

EMPLOYMENT AGREEMENT

Employment Agreement dated as of this 15th day of February, 1995, by and between WAYNE D. CARMONY ("Carmony") and MATANUSKA ELECTRIC ASSOCIATION, INC. ("MEA"), its successors or assigns.

Recitals

- A. MEA desires to retain the services of Carmony as its General Manager.
- B. Carmony has a great deal of experience in managing electrical cooperatives.
- C. Carmony is willing to be employed by MEA, and MEA is willing to employ Carmony, on the terms and conditions set forth below.

NOW, THEREFORE, it is agreed:

1. Employment: MEA hereby employs, engages and hires Carmony as its General Manager and Carmony hereby accepts and agrees to such hiring, engagement and employment subject to the general supervision and pursuant to the orders and direction of the majority of MEA's Board of Directors.
 2. Best Effort: Carmony agrees that he will at all times faithfully, industriously and to the best of his ability, experience and talents perform all the duties that may be required of and from him pursuant to the express and implicit terms of this Agreement.
- 

insurance coverage, two different dental plans, nine levels of life insurance, and five levels of short term disability. Long term disability is a mandatory coverage.

2. Annual leave if any. How many days?

Consistent with the Municipal Personnel Rules, Mr. Stahr accrues 40.625 days of annual leave per year.

3. Holidays. If any. How many days?

11 days

4. Retirement/savings if any.

Mr. Stahr participates in the State of Alaska Public Employee's Retirement Plan. The employee contributes 6.25% of pay and the MOA currently contributes 11.14% of pay.

5. Life insurance premiums paid by MOA if any. Approximate average % per year coverage.

See answer to question 1.

6. Health insurance premiums paid by MOA if any. Approximate average % per year coverage.

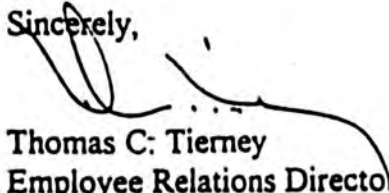
See answer to question 1.

7. Long term disability premiums paid if any by MOA. Approximate average % per year. Benefit level % of base salary, social security integrated after ____ weeks.

See answer to question 1. LTD premium is \$88.92 per year. LTD benefit is 60% of monthly salary to maximum of \$3,000 per month.

I trust this is responsive to your needs.

Sincerely,


Thomas C. Tierney
Employee Relations Director

cc: Thomas Stahr, General Manager, ML&P



Municipality of Anchorage



P.O. Box 190650
Anchorage, Alaska 99519-0650
Telephone: (907) 343-4425
<http://www.ci.anchorage.ak.us>

Rick Mystrom, Mayor

DEPARTMENT OF EMPLOYEE RELATIONS

April 2, 1997

Thomas G. Staudenmaier
P. O. Box 140170
Anchorage, Alaska 99514

Dear Mr. Staudenmaier:

You have asked the following questions regarding Thomas Stahr, General Manager, ML&P.
Please note the following response.

Annual Salary

1. Date of Hire to the MOA

September 23, 1974
2. Does Thomas R. Stahr have a contract or does he serve at the Mayor's pleasure?

He is an executive employee who serves at the pleasure of the Mayor
3. Gross Base monthly pay from MOA

\$6,822
4. Gross yearly base pay from MOA

\$81,868

Fringe Benefits

1. Health insurance premiums paid by MOA. Does coverage include medical dental and vision? If answer is yes, how much by the month and year?

As an executive employee, Mr. Stahr participates in the Flexible Benefits Program. The Municipality contributes \$225 per pay period (\$5,850 per year/\$487.50 per month) towards the program. Mr. Stahr can choose between three different levels of health

Attachment 3

My perspective is that similar sized G&T cooperatives in terms of revenues or number of employees or net worth pay their general managers about the same as I have been paid. The 1994 information on the following G&T managers' base compensation, for example, indicates in my mind that my base compensation is fair.

<u>G&T</u>	1994 <u>Gross Revenues</u>	<u>Employees</u>	Gen. Mgr. <u>Base Salary</u>
Deseret	\$124,827,364	210	\$160,000
Central Iowa	87,490,250	104	155,000
Cooperative Power	164,879,816	370	150,000
Wabash Valley	160,788,000	77	150,000
Sunflower	87,627,677	335	175,000
Allegheny	144,635,000	75	171,700
Minnkota	116,000,000	354	146,000
Buckeye	181,682,444	60	215,000
Chugach	130,912,171	380	150,000

10 NOV 1997
From: T. Staudenmaier



CHUGACH ELECTRIC ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

April 1, 1997

Mr. E. J. Young
P. O. Box 91259
Anchorage, Alaska 99509

Dear Mr. Young:

As per your recent request, I am forwarding the following information on my compensation as General Manager of Chugach Electric Association, Inc.:

Base Salary	\$156,000
Fringe Benefits:	
Pension	5,831
Medical Insurance	7,678
Life Insurance	1,371

In addition to the above, I have the use of a 1994 Ford Explorer with approximately 50,000 miles on it. The IRS values this at \$7,504 for tax purposes. The contributions to the employee 401K program are funded out of my salary; the Association does not contribute anything. I do not participate in any other type of deferred compensation plan.

I have been an employee of Chugach for 14 years and have been General Manager for the past three. At the end of 1996, Chugach's assets were \$483,294,976 and gross revenues were \$134,876,668. After expenses, net margins were \$9,831,371. To put this in perspective, I have attached some representative General Manager salaries of lower 48 Generation and Transmission Cooperatives from 1994. As you may note, Chugach's gross revenues and employee size (360) are similar to these utilities.

If you have any other questions, please give me a call.

Sincerely,

Eugene N. Bjornstad
General Manager

Enclosure

18 NOV 1998

7



Alaska Railbelt:
Centrally Dispatched Power
Pool
or
Continue As Is



BLACK & VEATCH_{LLP}



Introduction

- ▶ Study Purpose and Steps to Achieve
- ▶ Current Situation
- ▶ Three Future Scenarios
- ▶ Future Generation
- ▶ Economic Parameters
- ▶ Potential Savings based on Production Costs
- ▶ Other Costs
- ▶ Net Savings
- ▶ Recommendations



Study Purpose

Do benefits exist in a pooled environment that do not exist under current contract arrangements and current dispatch?

Study Period: 1997 - 2016



Stages of the Study

- Data Request and Compilation
- 1996 Benchmark, First Report Issued
- Received Feedback and held conference call
- Expansion Plans developed and Second Report Issued
- Met with individual utilities
- Evaluate Economics, Draft Final Report Issued
- Received Feedback, Final Report Issued



Current Situation

- Chugach in several agreements with AEG&T, HEA, MEA, and GVEA
- ML&P isolated, but sells power to the Chugach/GVEA control area
- Chugach responsible for wheeling power from Bradley Lake



The Cases

Individual

Pooled - dispatch no load sharing

load sharing depends on capacity of transmission lines

Joint - utilization of other person's
excess capacity



Individual Case

- Assumes each generating utility meets its own capacity requirements.
- Evaluates the future production costs and capital costs in a status quo environment.



Pooled Case

- Assumes each generating utility plans to meet its own capacity requirements.
- Assumes joint dispatch of all units.



Joint Case

- Assumes utilities jointly own new capacity additions.
- Assumes new unit additions are added based on the total needs and capabilities of the system.
- Evaluates production costs based on joint dispatch of all units.

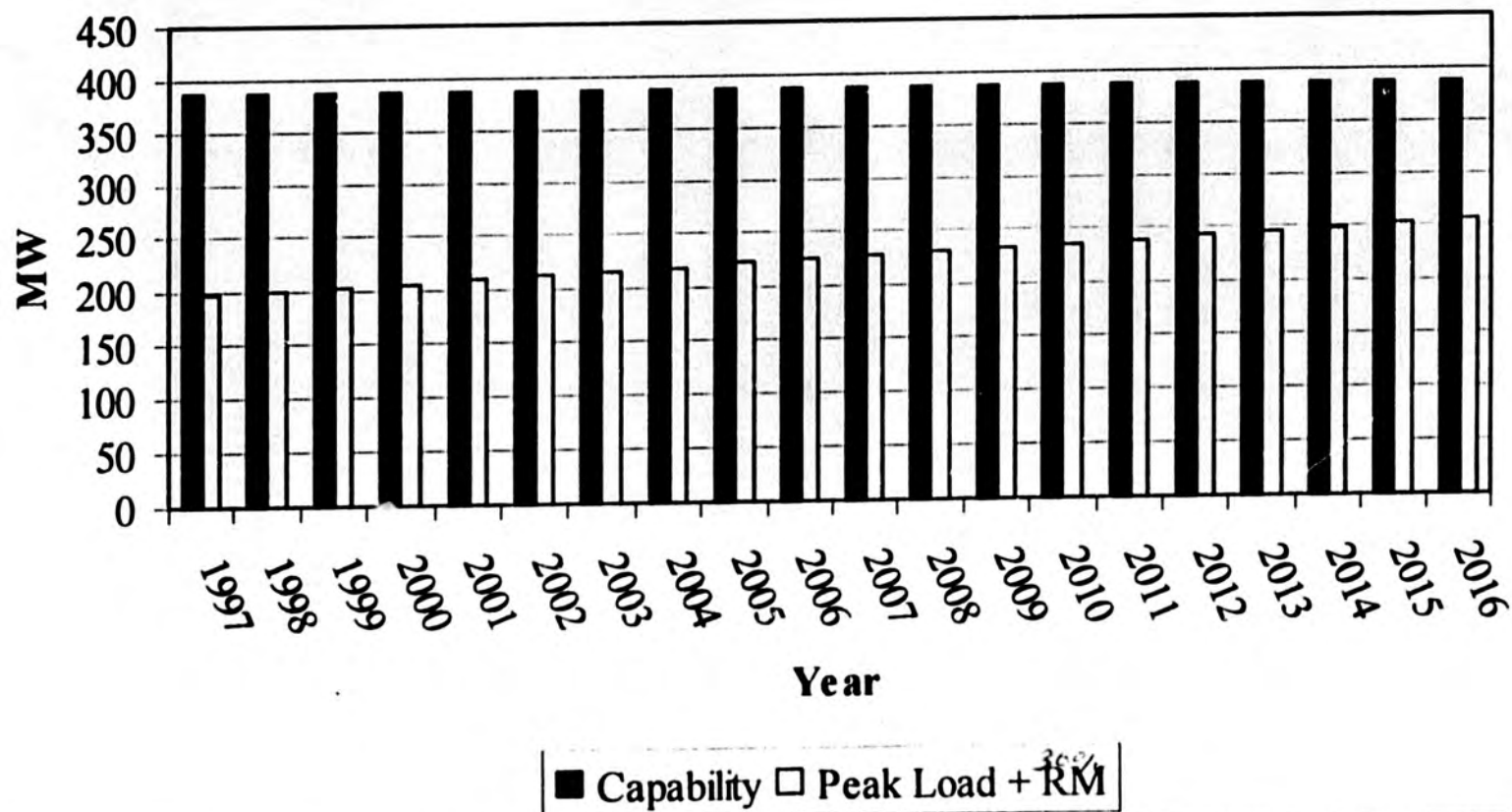


Planned Generation Changes *ML&P*

Scheduled major overhauls will be sufficient for the duration of the planning horizon; thus, no units are retired.



ML&P's Capability versus Peak Load and Reserve Margin Requirements





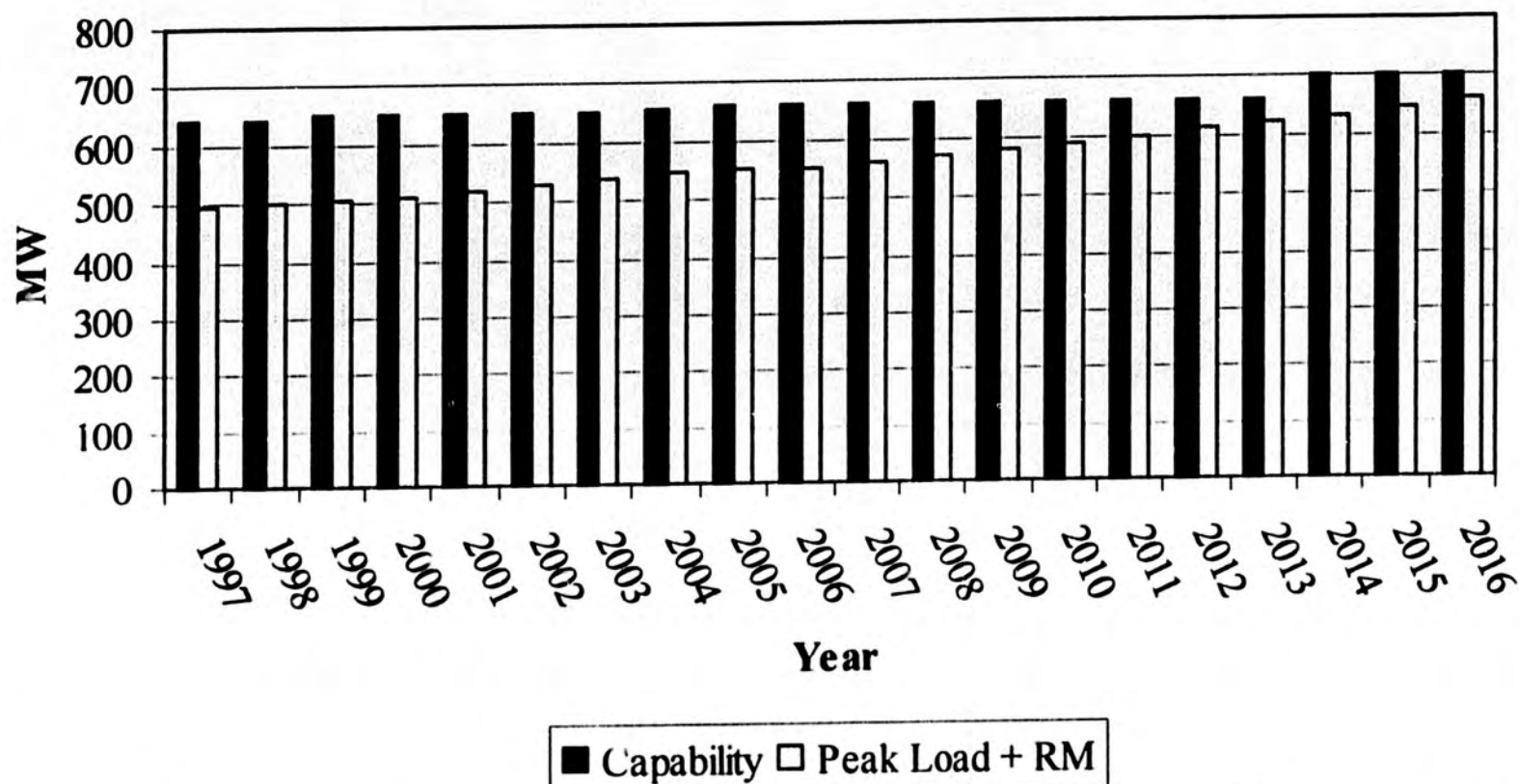
Planned Generation Changes *Chugach*

Beluga Unit 6 and Beluga Unit 7 will be repowered in the 2004-2005 time frame, increasing total winter capacity by 10 MW and improving the heat rate by 6 percent.

Add 2 m6000 Combustion Turbines 2014



Chugach's Capability versus Peak Load and Reserve Margin Requirements





Planned Generation Changes *GVEA*

Retirements:

Zehnder Unit 1 in 2011

Zehnder Unit 2 and Chena Unit 6 in 2012

North Pole Unit 1 in 2016

Additions:

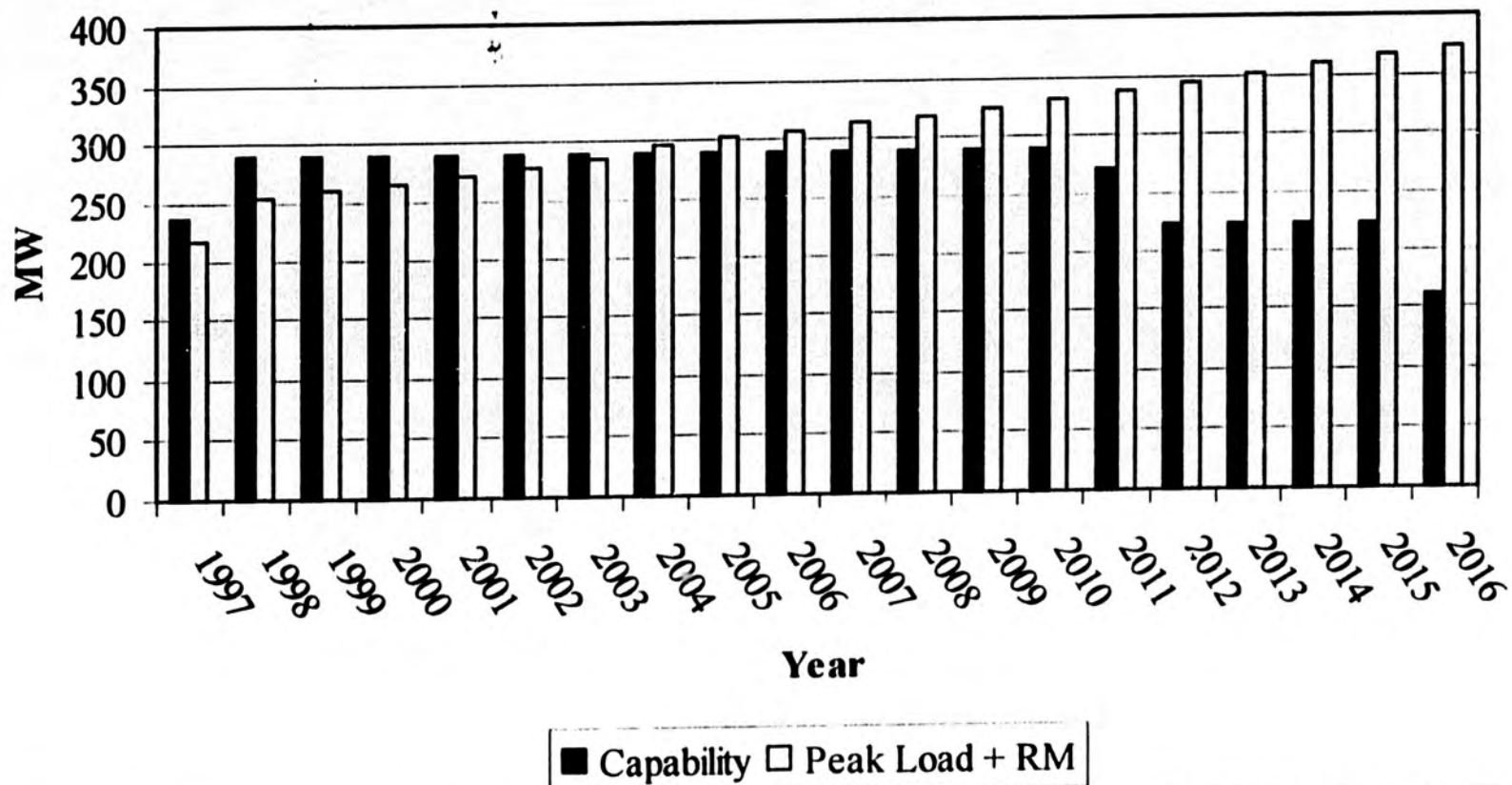
Healy Clean Coal Project

Upgrades:

Healy 1



GVEA's Capability versus Peak Load and Reserve Margin Requirements





Generic Unit Additions

needed to be added in order to meet demand

Individual and Pooled Cases:

GE 7EA SC in 2004 in the Fairbanks area

GE 7EA CC in 2012 in the Fairbanks area

GE 6B SC in 2016 in the Fairbanks area

Joint Case:

GE 7EA SC in 2015 in the Fairbanks area



Savings \$\$\$\$

The savings are calculated on a Cumulative Present Worth Basis assuming:

8.0 percent discount rate

8.5 percent interest during construction

10 percent Fixed Charge Rate (FCR) for Coal Units

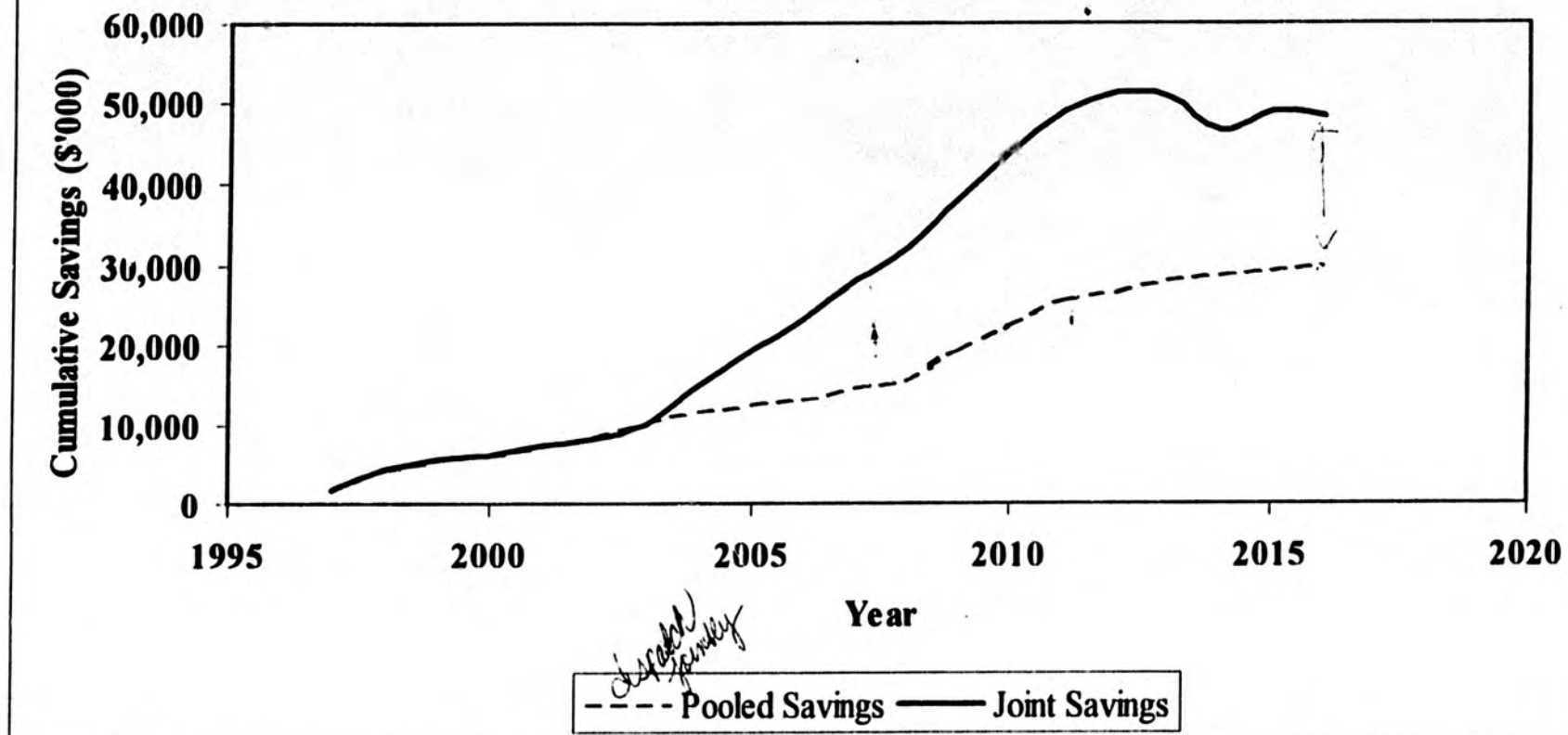
11 percent FCR for CCCT

12 percent FCR for SCCT

*fuel costs
or m "
annual capital charges for new generation
not in plans but in
estimation*



CPWC Savings Between the Pooled Cases and the Individual Case





Other Costs \$\$\$\$

- Implementing a Pool
 - Equipment
 - Staffing
 - Capital
- Renegotiating Existing Contracts that may constrain the establishment of a true power pooling environment.

estimated

*fuel
purchase power
labor?*

*no detailed
study on this*



Estimated Power Pooling Costs

Equipment:	RTU =	210,000
	Meters =	585,000
	Lines =	74,400
	Instrument Transformers =	4,500,000
	Software =	<u>200,000</u>
	Total =	\$5,569,400

	RUO	ISO
SCADA <i>(software)</i>	1,000,000	5,000,000
Control Center	0	1,000,000
Staffing	864,000	1,584,000

Total RUO = \$7,433,400

Total ISO = \$13,153,400

*collect
data
for
pool*

*industrial
system*

% of gross cumulative present worth cost -
distribution cost, trans cost, admin cost



Compared to
individual
utility operators
today.

These #'s probably represent 50%.

Net Potential Savings

Includes trans.
costs to local
center.

Case

money saved from

Production

Railbelt

Independent

Costs

Utility

System

fuel
cost

Operator

Operator

(%)

(%)

(%)

Joint Case

3.4

1.7

(0.7)

Pooled Case

2.1

0.5

(1.9)

See p. 18
no cost to
implementing

Includes
establishing
R&D



Recommendations

- Choose RUO or ISO *most common outcome not retail competition*
- Determine the actual cost of implementing that particular arrangement.
- Buy one* ↓ • Evaluate which contracts would need to be renegotiated to achieve the real benefits of a pooled environment.
- Resolve any private use restriction issues *from mkt + purchase issues, for exempt tenancy - exemption cannot sell to non-ty*
- Re-evaluate the savings.

DRAFT



Study of Electric Utility Industry
Restructuring in Alaska

Request For Proposal

from the:

Legislative Joint Committee on Electric Restructuring
and the
Alaska Public Utilities Commission

October 30, 1998

DRAFT

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ATTACHMENTS

<i>Attachment 1:</i>	<i>Standard Agreement Form</i>
<i>Attachment 2:</i>	<i>Appendix A (back of the Standard Agreement Form)</i>
<i>Attachment 3:</i>	<i>Appendix B1 or B2</i>
<i>Attachment 4:</i>	<i>Appendix C</i>
<i>Attachment 5:</i>	<i>Appendix D</i>
<i>Attachment 6:</i>	<i>Certification of Qualification for Alaska Bidder Preference</i>
<i>Attachment 7:</i>	<i>Notice of Intent to Award</i>
<i>Attachment 8:</i>	<i>House Concurrent Resolution No. 34</i>
<i>Attachment 9:</i>	<i>Fact Sheet</i>
<i>Attachment 10:</i>	<i>Guidelines Suggested by Joint Committee</i>

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION

1. Background, Overview, Goals

The electric utility industry is undergoing significant, evolutionary changes in the Lower 48 states. These changes have resulted in part from the Energy Policy Act of 1992 and Order No. 888 of the Federal Energy Regulatory Commission (FERC) in derivative proceedings (Note: Order No. 888 does not apply to Alaska). The industry has begun to move away from a vertically integrated monopoly regulated structure. At the federal level, new requirements for "comparable" transmission access and non-discriminatory availability of real-time network information are promoting competition in general. Concomitantly, 45 states have adopted or are considering changes in the way consumers receive electric service, including the introduction or examination of retail competition and consumer choice. Although FERC Order No. 888 does not cover Alaska, Alaska is interested in new business structure and benefits that might arise out of restructuring.

Whether such restructuring efforts will produce sustained, sustainable consumer benefits is unresolved. The form, scope, and substance of the individual state programs vary widely from state to state, as does the relative degree of enthusiasm for large-scale restructuring of the industry. Other countries have made considerable progress on this issue, however, to the extent states have adopted programs, those programs are for the most part in the inception stage. Inadequate time has elapsed to provide an empirically sound basis for assessing long-term public interest benefits available from any particular restructuring effort.

Against this backdrop, issues concerning competition and deregulation have come before the Legislature and the Alaska Public Utilities Commission (APUC). Though not physically interconnected to the Lower 48 grid, Alaska is not insulated from the social and political forces driving review and revision elsewhere in the country. These forces have begun to move policy makers in the State to review and consider the present condition of the electric industry in Alaska, the possibilities of change in the industry structure here, and the prospects for public interest benefits flowing from whatever course might be chosen.

It is imperative that Alaska's utility structure be properly evaluated in comparison to the more cohesive infrastructures, technology options, and generation providers available in the Lower 48. In short, if beneficial to Alaska in all or in part, it is important to establish a restructuring template for Alaska that ensures economic benefits to its citizens while ensuring against harm to consumers who don't have the market strength to protect their financial interests.

APUC, which has formal jurisdictional oversight over all electric utilities and utility services in the state, has been engaged for several years in various adjudications, which to some degree have impacted electric industry and market restructuring issues. More recently, the APUC inaugurated dockets focused on:

- a) power pooling and dispatch planning among the Railbelt¹ electric utilities (DOCKET U-97-140); and

¹ "Railbelt" utilities referenced in this RFP refer to the interconnected utilities of Chugach Electric Association, Inc.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

- b) a more general rulemaking inquiry into electric restructuring issues (DOCKET R-97-10).

Both dockets raise a wide range of issues with broad potential impacts upon the public as well as industry. APUC activity is now paralleled by legislative action. Pursuant to House Concurrent Resolution 34 (Attachment 8), the Legislature has established a Joint Committee on Electric Utility Restructuring (Joint Committee) to examine various restructuring and competition issues. The Joint Committee must submit its recommendations to the 21st Legislature.

2. Synopsis

The Alaska Legislature represents all classes of electric consumers in the State of Alaska. The APUC is the primary state regulatory agency whose decisions regarding electric utilities can affect all classes of electric consumers. Consumer-owned electric utilities provide electric service to most of the state's more than 600,000 residents.

The electric system in Alaska is physically isolated from those of the contiguous states; the social, economic and political considerations underlying electric industry restructuring initiatives in other states have begun to be considered in Alaska. APUC and the Legislature are examining the present condition of and possible alternatives for the electric industry in the state. The APUC has before it Docket U-97-140 that will result in a preliminary study of power pooling and central dispatch planning for the integrated portion of Alaska's electric network (the "Railbelt" area). The Legislature has appointed a Joint Committee on Electric Utility Restructuring to recommend to the 21st Alaska Legislature (convenes January 19, 1999) whether and how to implement electric utility restructuring in Alaska.

3. Statement of Work

3.1. Introduction

The Legislature and the APUC seek to retain the services of a qualified professional consultant or consulting firm to assist in evaluating the risk/rewards and cost/benefits associated with competition in the electric utility industry in Alaska. Familiarity with current industry structures, practices and technology, and with ongoing developments in electric restructuring at the state and federal level is essential. Deliverables include written analyses, publishable reports, ancillary materials and presentations to the Alaska Legislature. Because of the timeline established by the state, time is of the essence with respect to milestones and deliverables.

(Chugach); Golden Valley Electric Association, Inc. (GVEA); Homer Electric Association, Inc. (HEA); Matanuska Electric Association, Inc. (MEA); the Municipality of Anchorage d/b/a Municipal Light and Power Department (ML&P) and City of Seward, Seward Electric Utilities Division (SES). Alaska Electric Generation & Transmission Cooperative, Inc. (AEG&T), is a wholesale supplier.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

It is required that the Consultant closely adhere to the timeline provided in the body of this RFP. The draft report must be available by March 31, 1999, for public review and presentation to the Joint Committee some time around April 19, 1999, in Juneau Alaska.

The funding available for the contract resulting from this RFP shall not exceed \$200,000. Funding is being provided through the APUC contractual funds and the Contract will be administered by the APUC.

3.2. *Scope of Work*

The Consultant shall provide a quantitative analysis for each type of utility market in Alaska. As indicated in the Fact Sheet (Attachment 9), Alaska has a diverse electric utility market. This study shall separately analyze Alaska's interconnected "Railbelt" market and all other electric markets outside of the Railbelt. In its final report, the Consultant may recommend additional or other market segmentation. The study shall assume that transmission and distribution systems will have open access tariffs and will be economically regulated as to rates, terms, and conditions of service.

3.2.1. General Statements

Economic Assessment: The Consultant is to provide an economic/engineering assessment that will address the risk/reward and cost/benefit of wholesale and retail competition in each type of Alaska electric market. Assess rate impacts and both direct and indirect economic impacts. Also assess the economic impact of new technological advancements.

Market Concentration: The Consultant shall address whether competition in the wholesale or retail markets will increase or decrease the number of service providers. If competition and deregulation increase market power or barriers to entry what are the ways to mitigate them?

Role of APUC in Restructuring: The Consultant shall discuss role of the APUC in the transition toward a competitive electric market. The Consultant shall also discuss any State or Federal Laws that are an impediment to implementing competitive electric service or are a barrier to entry of valid market participants.

The Consultant shall be guided by its work on the General Statements made above to analyze the following areas:

3.2.1.1. Retail Customer Choice

Lessons from other states and countries that are relevant to Alaska
Pilot program (EARLIEST DELIVERABLE)

3.2.1.2. Wholesale Competition

Effectiveness of competition in existing and alternative market structures

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

3.2.1.3. Network Integrity

Possible handling of peak load times
Black & Veatch Study of Power Pooling/Central Dispatch Planning Study

3.2.1.4. Consumer protection and Universal Service

Power Cost Equalization (PCE)
Provider of Last resort
Assess potential problems related to cherry-picking

3.2.1.5. Stranded Costs due to restructuring

Transmission lines (state ownership)
Wholesale contracts
Tax-free and Municipal Bond Impacts of restructuring
Revenue implications for local government

Attachment 10 is a listing of the Issues/Scenarios developed during the Joint Committee's public meeting process. The listing is to provide additional background for the categories listed above.

3.3. Modeling Guidelines

This section provides the guidelines for the Consultant concerning modeling guidelines to be used in preparing bids.

3.3.1. Base Case

The Consultant is required to develop base cases representing the current status absent any change in regulatory scenarios. It is mandatory that the base cases be developed so that all alternative regulatory scenarios can be projected until 2016². Generally, the base case assumes the continuation of existing rate base rate of return regulation. Utilities continue to own existing power plants and continue to finance and build own generation to meet load growth.

In addition, as part of the base case it is mandatory that the Consultant identify any problems or constraints with the operation of the existing wholesale market.

3.3.2. Sensitivity Analysis

For the competitive market scenario, the Consultant must address the impacts of the following alternative assumptions:

- a) High, medium and low load forecast
- b) High, medium and low fuel prices

² This is the same planning horizon used in Black & Veatch's Alaska Power Pool Study.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

4. Deliverables

The following is to be provided by the Consultant as part of this project.

4.1. Written Report

As directed by the State, produce a final and comprehensive written report reflecting the Consultant's conclusions and reasoning concerning the above requirements. The final report should include written analyses, publishable reports, and ancillary materials, all of which become the property of the State of Alaska. One hundred bound copies of the report shall be provided and delivered to the distribution list to be provided. The entire report shall be provided in Adobe Acrobat electronic format for posting on the APUC's and the State's WEB page.

4.2. Peer Group Review

The Consultant shall assemble and consult with a peer group, consisting of three members, who are not employees, contractors, or otherwise connected with the Consultant, regarding the written report. The State shall approve all members of the peer review team. Along with the draft report, the Consultant shall provide the State with a copy of written remarks from members of the peer group.

4.3. Presentation

As a part of the contract, the Consultant must be available to present the report to the Joint Committee, to testify before the Joint Committee and other committees of the Alaska Legislature in Juneau, and the Commission in Anchorage on this matter through December 1999.

4.4. Pilot Project

The Consultant shall analyze the proposed Pilot Program filed with the APUC in its Docket U-98-114³. The Consultant shall comment and recommend any changes to the proposed model to establish a market structure that is compatible with the Anchorage area. The mechanics of the model should then be scrutinized so that the results of the pilot program will emulate the results that can be expected if the entire Anchorage market were opened to this market structure. The Consultant should list pitfalls and assess the sensitivity of the pilot program as well as recommend any legislative initiative that will be required to implement the pilot program.

³ Entitled: *In the Matter of the Application by AURORA POWER RESOURCES, INC. To Establish a Pilot Program To Allow the Limited Competitive Sale of Electric Power in CHUGACH ELECTRIC ASSOCIATION, INC., and MUNICIPAL LIGHT & POWER Service Areas*

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

4.5. Timeline

<u>Step</u>	<u>Day #</u>	<u>Date</u>	<u>Description</u>
1.	1	6-Jan-99	Anticipated Contract start date
2.	23	29-Jan	Data Collection
3.	44	19-Feb	Benchmark Existing Operation
4.	51	26-Feb	Model Wholesale Market
5.	58	5-Mar	Model Retail Market
6.	65	12-Mar	Pilot Program Design Recommendation Delivered
7.	72	19-Mar	Cost/Benefit Analysis
8.	84	31-Mar	Draft report delivered
9.	97	13-Apr	End of Public Comment Period
10.	98-109	Mid Apr	Legislative Hearing(s)
11.	117-129	Early May	APUC Hearing
12.	176	30-June-99	Final Report Due

Payment will be based upon completion of steps 2 through 8 and 12. A 10% withholding on payment will be kept if the Consultant falls behind the above schedule.

5. Proposer Qualifications

5.1. Minimum requirements

The following are the minimum requirements that Consultants must meet to bid on this RFP.

5.1.1. Balance:

Consultant must have a balanced viewpoint on the issue of electric utility restructuring.

5.1.2. Alaska Hire

Consultant should actively pursue partnerships with Alaska businesses (if not an Alaska business) and be licensed to do business in Alaska.

5.1.3. Consultant Resources

Consultant must have sufficient resources (personnel, software and hardware) to effectively process, analyze and evaluate significant amounts of raw data. Multiple sources of data may be offered and disparate forms, protocols, etc., can be anticipated. Some data may be proprietary, confidential or otherwise privileged in source or character, requiring the ability to handle such data in a conforming manner and to effectively control and limit the exposure or dissemination of such data.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

5.1.4. Experience

Consultant must demonstrate experience in electric industry matters, generally, and with knowledge of the current condition of restructuring elsewhere. Economics experience is mandatory. Engineering experience is highly desirable. The Consultant must be familiar with all aspects of policy formulation, from data gathering, to data analysis, to evaluation, to policy development and exposition. The Consultant must also be familiar with emerging technical, operational and financial issues (e.g., ISO functionality, securitization, power marketing, etc.).

5.1.5. Availability

Consultant must be readily available to the Legislature and the APUC during the course of the project for discussion and advice. This includes formal and informal meetings, and may involve consultation with the Joint Committee from time to time. The Consultant may be required to interact with individual legislatures, but will not be required to engage in individual member's projects or other matters outside the scope of this contract. The Consultant must be free of conflicts of interest at inception of work on this project and must remain so at all times until after termination of the contract.

5.1.6. Timeliness

The anticipated magnitude of the work effort and the limited, defined time period available to respond to the scope of the contract, places a premium on responsiveness to schedule. The Consultant will be expected to meet all deadlines and milestones established without sacrificing the accuracy, completeness and quality of the work product.

5.2. Conflict of Interest

Each proposal shall include a statement indicating whether or not the firm or any individual working on the contract has a possible conflict of interest that would affect the objectivity, analysis, and/or performance as required by the "Scope of Work" section of this RFP. This applies to the proposer, subcontractors and joint ventures. Any potential conflicts must be identified in the proposal. A waiver may be requested within 10 days of issuance of this RFP.

Additionally, a proposer, subcontractor or joint venture shall list any existing or previous contract(s) or association with a specific electric utility, class of electric utility customers or other party in a legal or regulatory proceeding in the Alaskan electric industry within the last 5 years.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

6. Contracting Information

6.1. Issuing Agency's Mailing Address and telephone Number

The issuing office address and telephone number for this RFP is:

State of Alaska
Department of Commerce and Economic Development
Alaska Public Utilities Commission
1016 West 6th Avenue, Suite 400
Anchorage, AK 99501
Attn: Bob Lohr, Executive Director
Phone (907) 276-6222
Fax (907) 276-0160

The state assumes no liability for incorrect addresses, delivery of Letters of Intent or RFP packages by public or private carriers.

6.2. Contact Person

Any technical or procedural questions regarding this RFP, contract documents, or associated information should be addressed to **Diane Hunt** at the issuing agency's address.

6.3. Deadline for Receipt of Proposals

Proposals must be physically received by the issuing agency no later 4 p.m. November 23, 1998. Failure to meet the deadline will result in disqualification of the proposal without review. The state is not liable for delays caused by any public or private mail carrier.

Proposers must submit ten copies of their proposal to the issuing agency. Proposals may be mailed or hand delivered directly to the issuing agency. Faxed proposals are not acceptable. Proposals must be in a sealed envelope and clearly labeled as follows:

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

CONFIDENTIAL:

DO NOT OPEN UNTIL November 24, 1998

State of Alaska
Department of Commerce and Economic Development
Alaska Public Utilities Commission

REQUEST FOR PROPOSAL IN RESPONSE TO: ASPS # [NOTE: INSERT ASPS NO.]

For:
**Study of Electric Utility Industry
Restructuring in Alaska**

Attention: Diane Hunt
This proposal is submitted by: (Responding Proposer's Name)

6.4. Required Review of this RFP by Proposer

Proposers should carefully review this RFP for defects and questionable or objectionable materials. Proposer's comments concerning defects and questionable or objectionable material in the RFP must be made in writing and received by the issuing agency at least ten (10) days before the proposal submission deadline. This will allow time for an addendum to be issued if one is required. It will also help prevent the opening and the exposure of proposals upon which award cannot be made. Proposer's comments shall be sent to the issuing agency's contact person identified previously in this RFP (Item 5). A copy of the proposer's comments should be forwarded to Commissioner, Department of Administration, P.O. Box 110200, Juneau, Alaska 99811-0200.

6.5. Questions Received Prior to Opening of Proposals

All questions regarding this RFP should be directed to the contact person previously identified in this RFP. There are generally two types of questions. One involves directing the questioner to the specific section of the RFP where the answer may be found. Responses to these questions may be given over the telephone.

The second type of question involves clarifying or interpreting parts of the RFP. Proposers shall put these questions in writing and submit them to the Contact Person at least 10 days before the due date of proposal. Responses to these types of questions shall be provided to all potential proposers in a written addendum to the RFP.

6.6. Addenda to the RFP

Should the issuing agency consider it necessary to revise any part of this RFP significantly or lengthen or shorten the proposal deadline period, an addendum will be issued to all who were previously issued the RFP.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

6.7. Proposal Withdrawal and Correction

A proposal may be corrected or withdrawn by a written request received prior to the date of opening. (2 AAC 12.230)

6.8. Discussion with Responsible Offerors

AS 36.30.240 and 2 AAC 12.290 in their entirety, are incorporated into this RFP. As determined by the evaluation process, proposers reasonably susceptible of award may be offered the opportunity to discuss their proposal with the procurement officer or evaluation committee and the proposal may be adjusted as a result of the discussion. Proposers may also be allowed to submit a best and final proposal, as a result of the discussion. AS 44.62.310 does not apply to meetings with proposers conducted under this section.

6.9. Right of Rejection

The issuing agency of this RFP reserves the right to and may declare any proposal non-responsive that does not fully comply with and address all the terms and requirements of this RFP. (AS 36.30.250)

6.10. Authorized Signature

Proposals must be signed by an individual authorized to bind the proposer to its provisions. The proposal must remain valid for at least 90 days from the proposal receipt deadline.

6.11. Noncollusion

The individual signing the proposal also certifies that under penalty of perjury that the price submitted was independently arrived at without collusion.

6.12. Disclosure of Proposal Contents

All proposals and other material submitted become the property of the state and may be returned only at the state's option. All proposal information will be held in confidence until the issuance of the Notice of Intent to Award. Thereafter, proposals will become public information. (AS 09.25.110 and AS 36.30.230)

6.13. Estimated Timeline of RFP Process

This schedule is for informational purposes only, as some actual dates may vary depending on the response to this RFP. It is unlikely, however, that a contract will be awarded before January 6, 1999.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

<u>Step</u>	<u>Day #</u>	<u>Date</u>	<u>Description</u>
1.	1	22-Oct-98	Advertisement submittal for the Alaska Administrative Journal.
2.	1-5	27-Oct	Publish newspaper advertisement.
3.	8	30-Oct	RFP available.
4.	18-20	9-Nov	Significant questions received ten days after RFP is available, but no later than ten (10) days before the proposal submission deadline.
5.	21	12-Nov	Send RFP Addendum to all potential proposers in response to significant questions received.
6.	30	23-Nov	Deadline for submitting proposals.
7.	31	24-Nov	Opening of proposals.
8.	31-45	7-Dec	Evaluation committee review.
9.	49	11-Dec	Issue Notice of Intent to Award.
10.	50-60	21-Dec	Grievance period.
11.	62-68	29-Dec	Contract negotiations; Execute contract.
12.	70	31-Dec	Consultant approval and signature.
13.	75	5-Jan-99	Department approval and signature.
14.	76	6-Jan	Contract start date.

6.14. Solicitation/Advertising:

Public notice has been provided in accordance with AS 36.30.210(c), 44.62.175 and 2 AAC 12.220. The RFP has been advertised in the Alaska Administrative Journal, the Anchorage Daily News, Fairbanks News Minor, Juneau Empire, and the Alaska Journal of Commerce.

The state assumes no liability for incorrect addresses, delivery of Letter of Interest, or RFP packages by public or private carriers.

6.15. Preproposal Conference:

A preproposal conference will not be held unless extensive questions arise regarding the RFP.

6.16. News Releases:

News releases pertaining to this RFP and resulting contract may not be made without prior written approval of the issuing office.

6.17. Incurred Costs:

No costs incurred by the proposer in preparation of the proposal, including travel and personal expenses may be charged as an expense of performing the contract. The state shall not be subject to

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

payment for cost incurred for proposal preparation or contract preparation as a result of valid and legal termination of this RFP or termination of the contract resulting from the award of this RFP.

6.18. Multiple Proposals:

The issuing agency will not accept multiple proposals from the same proposer.

6.19. Alaska Business License:

All proposers, including joint ventures, MUST have a valid Alaskan Business License at the time designated for opening of the proposals (AS 36.30.210(e)). One of the following forms of evidence must be included in the proposal:

- a. a canceled check for the business license fee;
- b. a copy of a business license application with a receipt date stamp from the state's business license office;
- c. a receipt from the state's business license office for the license fee;
- d. a copy of the proposer's valid business license; or
- e. a sworn notarized affidavit that the proposer has applied and paid for a business license.

6.20. Other Licenses and Registrations:

All proposers are required to hold any and all necessary applicable professional licenses and registrations required by Alaska Statute. Proof of professional licenses is required with the proposal. Obtaining and ensuring compliance to all licensing and registering requirements is the complete responsibility of the proposer.

For more information on professional licenses, contact the Department of Commerce and Economic Development (DCED), Division of Occupational Licensing, P.O. Box 110806, Juneau, AK 99811-0806 or phone (907) 465-2534. For more information on corporate registrations, contact the DCED, Division of Banking, Securities and Corporations, P.O. Box 110807, Juneau, AK 99811-0807 or phone (907) 465-2530.

6.21. ADA Requirements:

If an alternative form of the RFP is required, notify the contact person previously identified or if using a telecommunications device for the deaf (TDD), please contact the department at (907) 465-5437 and leave a message. See Appendix A of the Standard Agreement Form for Federal Equal Employment Opportunities compliance requirements.

6.22. Federal Requirements:

It is the responsibility of the proposer to indicate within their proposal the applicability of any federal acts and requirements.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
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STANDARD PROPOSAL INFORMATION (continued)

6.23. *Alaska Bidder Preferences:*

There are two applicable Alaska Bidder Preferences. The first is a 5% reduction (for evaluation purposes only) to the proposed cost and the second is an evaluation factor (criteria) which will count for at least 10% of the total possible score.

The proposer must qualify under AS 36.30.170(b) and meet the requirements identified on the "Certificate of Qualification For the Alaska Bidder Preference" form included with this RFP as Attachment 6.

It is the responsibility of the proposer to ensure compliance with the requirements and to complete, sign, and include the Certificate in its proposal. The proposer's name on the proposal **MUST BE THE SAME** as the name appearing on the proposer's current Alaska Business License. (See Section 6.19)

6.24. *Notice of Intent to Award:*

After completion of the evaluation process, the issuing office will issue a Notice of Intent to Award to all proposers. This notice will contain the names and addresses of all proposers, including the intended recipients of the contract. See Attachment 7 of this RFP. (AS 36.30.365)

6.25. *Informal Debriefing:*

Any proposer may request and receive an informal debriefing after the Notice of Intent to Award is mailed out. The debriefing shall be limited to the offeror's proposal, concentrating on the areas considered deficient or inferior. The merits of other proposals will not be discussed.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD PROPOSAL INFORMATION (continued)

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**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD CONTRACT INFORMATION AND PROVISIONS

1. **Contract Amount:** The maximum acceptable dollar amount for the completion of this project is \$200,000. Any proposal submitted which exceeds this maximum dollar amount shall be considered non-responsive and shall be rejected.
2. **Contract Term:** All work is to be completed by June 30, 1999.
3. **Contract For Multiple Years:** If the contract crosses fiscal years, the continuance of the contract is subject to the availability of appropriated funds.
4. **Joint Ventures:** Joint venturing is allowed.

The agency issuing the RFP grants the option to all proposers to submit their Proposal as a joint venture and the issuing agency reserves the right to contract with a joint venture if it is in the state's best interest.

To be considered a joint venture, there must be a community of interest in the purpose of the proposed Contract and an equal right for each firm to govern the conduct thereof. A written agreement, which specifically states each firm's responsibility; identifies the lead firm; designates the individual with signatory and negotiating authority; and is directly answerable and responsible for the proposed Contract is required. The agreement shall be signed by all firms comprising the joint venture and be included as an attachment to the Proposal.

When submitting a joint venture, the Alaska Business License Requirement applies to each firm comprising the joint venture, and the joint venture must also be licensed.

5. **Subcontractors:** Subcontracting is allowed. All Proposers shall include a subcontractor's list in their proposal with the complete name, the location of the place of business for each subcontractor, the work, and the percentage of work to be performed by each subcontractor per AS 36.30.210(a). All proposals shall include a copy of EACH subcontractor's Alaska Business License or one of the business license forms of evidence as listed in Section 6.19 of Standard Proposal Information of this RFP.

A subcontract shall not be transferred or otherwise assigned without prior written consent by the head of the issuing agency. All other conditions of AS 36.30.210(d) and AS 36.30.115(b) through (e) apply to all subcontractors.

6. **Contract Negotiations:** Upon completion of the evaluation process, contract negotiations will commence. It is anticipated that all contract negotiations will be held at the APUC's office in Anchorage.
7. **Failure to Negotiate:** If the selected proposer fails to provide the necessary information for negotiations in a timely manner, negotiate in good faith, or cannot perform the contract within the amount of budgeted funds available for the project and/or proposed by the

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD CONTRACT INFORMATION AND PROVISIONS (continued)

proposer, the issuing agency may terminate negotiations and negotiate with the next highest ranked proposer, or terminate award of the contract. (AS 36.30.360, 2 AAC 12.390 and 2 AAC 12.500.)

8. **Additional Terms and Conditions:** The issuing agency reserves the right to include additional terms and conditions during the contract negotiations. However, these terms and conditions must be within the scope of the original RFP and will be limited to cost, clarification, definition, and administrative and legal requirements.
9. **Incorporation of the RFP as Part of the Contract:** Provisions of this RFP, which are consistent with the Contract, shall become incorporated in the Contract by reference and constitute binding obligations of the parties.
10. **Incorporation of the Proposal as Part of the Contract:** The selected proposal or provisions of, shall become incorporated in the Contract by reference and constitute binding obligations of the parties.
11. **Contract Approval:** This RFP does not obligate the issuing agency or the selected proposer until a contract is signed and approved by both parties. If approved, it is effective from the date of final approval by the Commissioner of the Department of Commerce and Economic Development. The issuing agency shall not be responsible for work done, even in good faith, prior to final approval of the Contract.
12. **Performance Bonds and/or Surety Deposits:** The State reserves the right to require a performance bond or surety deposit to assure the Consultant's performance of all Contract provisions in a timely manner.
13. **Liquidated Damages:** The State reserves the right to require liquidated damages in the contract to assure the Consultant's performance of all Contract provisions in a timely manner.
14. **Indemnification:** The Consultant shall indemnify, save harmless and defend the state, its officers, agents and employees from all liability, including costs and expenses, for all actions or claims resulting from injuries or damages sustained by any person or property arising directly or indirectly as a result of any error, omission or negligent act of the Consultant, Subcontractor(s) or anyone directly or indirectly employed by them in the performance of this Contract.
15. **Insurance Requirements:** The Consultant must comply with Appendix B2 of the State's standard contract forms which requires proof of general liability, auto liability and workers' compensation insurance prior to contract approval. Appendix B2 also requires professional liability insurance. Failure to provide evidence of adequate coverage is a material breach and grounds for termination of the Contract.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD CONTRACT INFORMATION AND PROVISIONS (continued)

A copy of the Appendix B2 is included with this RFP as Attachment 3. Any alteration must be approved by the Department of Administration, Division of Risk Management, prior to final contract approval.

16. **Standard Agreement Forms:** The selected proposer will be required to sign and comply with the "Standard Agreement Form," "Appendix A," "Appendix B2," for professional services. Copies are included as attachments to this RFP. If the potential proposer has concerns with the Standard Agreement Forms including Appendix B2, they may state their concerns in writing as part of their response. The State reserves the right to not award the contract to a proposer who will not agree to the terms and conditions of the Standard Agreement Form and appendices.
17. **Ownership of Documents:** This section applies to the terms and conditions as stated in Appendix A, Article 10, of the Standard Agreement Form which is attached to this RFP.
18. **Confidentiality:** The Consultant shall not, at any time, during or after the term of the Contract, without the State's written consent, disclose any information designated confidential by the State.
19. **Inspection and Reports:** This section applies to the terms and conditions as stated in Appendix A, Article 2, of the Standard Agreement Form which is attached to this RFP.
20. **Consultant's Records and State's Right To Audit:** The Consultant's books, correspondence, accounting procedures and records, information and or any other supporting evidence relating to the resulting Contract shall be open to inspection and subject to audit and/or reproduction during normal working hours.
21. **No Assignment or Delegation:** This section applies to the terms and conditions as stated in Appendix A, Article 6, of the Standard Agreement Form which is attached to this RFP.
22. **Notice of Amendment:** The Consultant shall notify the State in writing at least 30 days prior to the Contract expiration date of any known circumstances which may require an extension of the Contract completion date.
23. **Notices:** All written communication and billings to the State shall be addressed as follows:

State of Alaska
Department of Commerce and Economic Development
Alaska Public Utilities Commission
1016 West 6th Ave. Suite 400
Anchorage, AK 99501
Bob Lohr
Executive Director

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

STANDARD CONTRACT INFORMATION AND PROVISIONS (continued)

24. **Rejection of Work:** The Consultant shall be responsible for the quality, accuracy, and proper performance of the work identified in the Contract. The State may reject any work found to be defective or not in accordance with the specifications contained in this RFP, Consultant's proposal, and resulting Contract, regardless of the stage of completion and the time or place the error was discovered. The State may also reject defective work that has been previously approved because of an oversight during inspection/approval.
25. **Disputes:** This section applies to the terms and conditions as stated in Appendix A, Article 3, of the Standard Agreement Form which is attached to this RFP.
26. **Waiver:** The waiver by one party of any breach of the Contract, or the failure of one party to enforce any of the provisions, shall be limited to a particular instance. Neither party shall waive any future breaches or future provisions merely because a breach has been waived in a particular instance.
27. **Severability:** If any provision of the Contract is found to be invalid under, or contravene to the laws of any particular state, borough, or county, such contravention shall not invalidate the entire Contract. The Contract shall be construed as if the invalid provision is not contained in the Contract. AS 36.30.950
28. **Contract Termination:** In addition to the State having the right to cancel the resulting Contract due to the lack of appropriated funds, the State may, with a 30-day written notice, terminate the resulting Contract in whole or in part. The State is liable only for payment for services rendered before the effective date of termination.
29. **Vendor Tax ID Number:** A valid tax identification number must be provided to this department prior to or upon Contract approval. No payments will be made prior to receipt of the tax identification number and failure to provide a valid tax ID number may result in Contract cancellation.
30. **Payment of Taxes:** If it is discovered that the selected proposer is in arrears on taxes, the Contract shall not be awarded until the Alaska Department of Revenue notifies the State and approves of the payment provisions of the Contract.
31. **Media Announcements:** Any and all media announcements must be approved in advance by the State.
32. **Lobbying:** The State prohibits the Consultant from using any portion of the Contract amount for lobbying efforts.
33. **Americans With Disabilities Act of 1990:** The State complies with the Americans With Disabilities Act of 1990.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

PROPOSAL SUBMISSION CONTENT IN RESPONSE TO THIS RFP

All proposals submitted in response to this RFP must use the following outline format for their proposal(s).

Required Proposal Format: Submit ten copies of the proposal. They are to be three-hole punched with printing on BOTH sides of the paper and pages numbered. A Table of Contents, which follows the format below and reflects page numbers, is also required.

The proposer MUST address ALL the items and IN THE ORDER reflected below.

1. **Introduction:** Provide a brief general discussion of the proposal, including the Proposer's name and address and whether this is a joint venture and if so with whom. If proposing a joint venture, the term "Proposer" is inclusive of all joint venturing firms.
2. **Minimum Requirements:** Provide a detailed and precise discussion, including SPECIFIC EXAMPLES, of meeting EACH of the minimum requirements established in Section 5.1 of the "Proposer Qualifications" section of this RFP, to be considered responsive to this RFP. Attach documentation substantiating that the proposer has complied with all of the minimum requirements as listed in the "Proposer Qualifications". Limit discussion only to the minimum requirements.
3. **Conflict of Interest:** Provide a detailed and precise listing of any potential conflicts of interest, with regard to Section 5.2 of the "Proposer Qualifications" section of the RFP.
4. **Methodology and Management Plan:** Provide a detailed discussion of the Proposer's understanding of the proposed contract and the approach and methods that the Consultant will use to accomplish the tasks as stated in the "Scope of Work" section of this RFP. Also, discuss in detail what will be performed; by whom, specific personnel or subcontractors, and in what sequence; how the various functions/responsibilities will be carried out and the interaction and communication between the issuing agency and proposer, or subcontractors. Be specific in addressing the various elements, functions and responsibilities in the order presented and outlined in the "Scope of Work" section of the RFP.
5. **Proposer's Organization, Experience, Performance Record and Resources:** Specifically discuss the Proposer's, including all joint venturer's, experience. (Do not include subcontractor's experience here, but include in Item 8 of this section.) If minimum requirements have been established, those shall be addressed in Item 2 of this section). The following shall be provided:
 - a. A detailed discussion of the Proposer's ownership, headquarters, branch or affiliate offices and length of time in business.
 - b. A detailed discussion of the Proposer's structure, size and capabilities/quantities available in terms of personnel and equipment. Indicate if the award of this contract

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

PROPOSAL SUBMISSION CONTENT IN RESPONSE TO THIS RFP (continued)

would require the acquisition of additional space, equipment, personnel or any other items. Be specific as possible, i.e., how much additional space, specific equipment, the number and function of additional employees, etc.

- c. A detailed discussion of the length of time in business, qualifications and experience relative to the services required for this proposed contract.
 - d. A detailed discussion and listing of current clients, brief description of services provided, approximate dollar amount of each account, and a contact name and phone number of at least three of whom may be contacted.
 - e. Discuss how the Proposer evaluates the effectiveness of its services.
 - f. Identify any distinct and substantive qualifications for undertaking the proposed contract, such as the availability of specialized equipment, awards and recognition received from similar services, or special approaches or concepts relevant to the required services.
 - g. Include any other information that is felt to be pertinent and you wish to provide.
 - h. Three references familiar with the Proposer's work that is similar to the work product requested by this RFP.
 - i. Brief synopsis of reports the Proposer's has produced relating to the electric industry in the last 5 years. Limit response to five pages. Indicate whether reports are publicly available. Copies may be requested for evaluation purposes.
6. **Project Manager:** Identify the responsibilities, percentage of time, and the individual who will be the Project Manager and will be working directly with the issuing agency

A resume, which includes at least three references with phone numbers, shall be provided. Resumes, which include non-relevant information, may detract from the proposal evaluation. A list of projects is not useful unless the individual's specific and relevant duties and responsibilities are identified.

The State reserves the right to approve or disapprove any change to the selected proposer's Project Manager. This ensures that an individual is not arbitrarily removed from the Contract. Personnel changes, which impact the Contract, may result in the cancellation of the Contract.

7. **Key Project Personnel:** Identify the responsibilities of and the key individuals who will be assigned to the proposed contract.

A resume, which includes at least three references with phone numbers, shall be provided. Resumes, which include non-relevant information, may detract from the proposal evaluation.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

PROPOSAL SUBMISSION CONTENT IN RESPONSE TO THIS RFP (continued)

Lists of projects are not useful unless the individual's specific and relevant duties and responsibilities are identified.

The State reserves the right to approve or disapprove any change in the selected proposer's project team members who are specifically offered in the proposal. This ensures those individuals with pertinent experience and vital skills are not arbitrarily removed from the Contract. Personnel changes, which impact the Contract, may result in the cancellation of the Contract.

8. **Subcontractors:** All the information that is required for the Proposer in Items 3 through 7 is required for ALL subcontractors. Throughout the proposal, subcontractor's experience and personnel shall be specifically identified in the appropriate section.

In response to this section, a list of all proposed subcontractors' names, addresses, a brief description of and percentage of work to be performed by each subcontractor shall be included. An Alaska Business License for each subcontractor must also be included as an appendix to the proposal. Failure to comply may result in the proposal being declared non-responsive and rejected.

9. **Peer Group Review:** Provide names resume, and biographies of each peer review panel member.
10. **Cost of Proposal:** By Alaska Statute, the cost of a proposal must be an evaluation factor. Provide the total cost for the work product outlined in this RFP. Include a payment schedule for the work activities indicated in Section 4.5 (Timelines) of this RFP. Also provide travel and per diem rates for travel to Juneau and Anchorage that is in addition to that discussed elsewhere in this RFP
11. **Other Pertinent Information:** Include any other information, which is pertinent in responding to this RFP.
12. **Alaska Business Licenses:** As discussed in Section 6.19 of the "Standard Proposal Information" section of this RFP, submission of proof of an Alaska Business License for the proposer (proposers if a joint venture) and all subcontractors is required. The proposer's name on the submitted proposal must be the same as appearing on the proposer's current Alaska business license.
13. **Other Licenses and Registrations:** As discussed in Section 6.20 of the "Standard Proposal Information" section of this RFP, submission of proof of all applicable professional licenses for the proposer and all subcontractors is required.
14. **Alaska Bidder Preference:** As discussed in Section 6.23 of the "Standard Proposal Information" section of this RFP, compliance with and the submission of the "Certificate of Qualification for the Alaska Bidder Preference" is required in order to obtain the preference, if it is applicable.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

PROPOSAL SUBMISSION CONTENT IN RESPONSE TO THIS RFP (continued)

The proposer's name on the submitted proposal must be the same as that appearing on the proposer's current Alaska business license.

15. **Joint Venture Agreement:** As discussed in Item 6 of the "Standard Contract Information" section of this RFP, a written agreement is required.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

PROPOSAL SUBMISSION EVALUATION CRITERIA

1. **Oral Presentation:** The issuing agency reserves the right to require an oral presentation. The entire evaluation committee must be present for all oral presentation. The cost will be borne by the proposer. AS 44.62.310 does not apply to meetings with proposers conducted under this section.
2. **Evaluation Factors:** Proposals will be evaluated in the manner discussed in the "Standard Proposal Information" section of this RFP. The following are the specific evaluation factors which will be used:

a. Methodology and/or Management Plan	25
b. Balanced viewpoint	5
c. Respondent's Organization, Experience, Performance Record and Resources	20
d. Project Manager and Key Project Personnel	5
e. Peer Group	5
e. Cost of Proposal	10
f. Alaska Bidder Preferences	10
Maximum Possible Points	100

3. **Evaluation of Proposals:** The procurement officer, or an evaluation committee consisting of the procurement officer and at least two state employees or public officials, shall evaluate the proposals. (2 AAC 12.260)

The evaluation will be based only on the evaluation factors and values stated above in this RFP. Evaluation factors not specified may not be considered. (AS 36.30.210(b) and AS 36.30.250(a))

4. **Cost Evaluation Formula:** Cost must be an evaluation factor unless the service sought is selected in accordance with AS 36.30.270(a) and (b).

The distribution of points based on price must be determined as follows per AS 36.30.040, .210, .250, and 2 AAC 12.260. For the purpose of evaluating cost, the proposed costs of an offeror who qualifies as an Alaska bidder under AS 36.30.170(b) shall be reduced by five percent (5%). The proposal with the lowest cost must receive the highest available rating allocated to the cost factor. The rating for each higher cost proposal must be determined using the following formula:

$$\frac{(\text{Price of Lowest Cost Proposal}) \times (\text{Maximum Points of Cost})}{\text{Price of Each Higher Cost Proposal}} = \text{Points}$$

Guidelines Suggested by
Joint Committee on Electric Utilities Restructuring
for a Study
On Electric Utility Restructuring in Alaska

Background of Consultant:

Extensive experience with electric utility restructuring (international, national or state)
Engineering and economic capability
Balanced on issue of electric utility restructuring
Availability during study and reporting period
If not an Alaskan business, willing to partner with Alaskan businesses
Licensed to do business in Alaska

Scope of Study:

The main question to be addressed is the risk/reward and cost/benefit of wholesale and/or retail competition in the electric utility industry in Alaska. Initial emphasis of resources should be on the Alaska Railbelt.

Issues/Scenarios to be Addressed:

ALASKA

- Assess Alaska's unique situation regarding transmission grid.
- Assess competition potential on wholesale and retail level.
- Review nature of ownership of Alaska utilities with the public owning nearly all of the utilities either on a cooperative member basis or a municipally-owned basis - and its impact on restructuring.
- From restructuring experience in other jurisdictions, assess possible results of restructuring in Alaska.
- Assess impact and benefits that may accrue as result of restructuring, including changes that may eliminate or decrease the State subsidy provided under the Power Cost Equalization program.
- Assess State's exposure on Four-Dam Pool and other power generation and transmission lines, and contractual obligations State has to these projects.

STRANDED INVESTMENTS

- Identify investments that may be stranded by competition and how these costs should be recovered.
- Assess impact of State's ownership and financing of major transmission facilities and whether that ownership and financing impacts possible stranded investments.
- Assess the impacts on existing gas supply contracts and wholesale power contracts in a competitive wholesale market.

RELIABILITY/SAFETY

- Assess how to preserve reliability and safety under competition scenarios.

- Assess handling of peak loads (particularly in the winter) and how these loads would be serviced under competition.
- Assess spinning reserves and standby capacities in current and any restructured system.

AFFORDABILITY

- Assess low-income protection, universal service provisions, including provider of last resort, obligation to serve, and how these should be structured; e.g., telecommunications within Alaska is required to provide universal service.
- Define and assess potential problems related to cherry picking.
- Assess potential for mergers and acquisitions, and consolidation of various market segments (winding up with one major player in the area).

PILOT PROGRAM

- Assess whether one would work in Alaska, or in specific areas of Alaska.
- Suggest structure for acquisition of meaningful data.

CONSUMER EDUCATION

- Assess the issue of how to educate consumers under any restructuring plan and the anticipated cost of such a program.

FINANCIAL ISSUES

- Bonds: Assess any potential restructuring problems with tax-free and municipal bonds and/or outstanding federal loans.
- Taxes: Assess tax implications facing local and/or state government.
- Costs to government: Assess anticipated costs of instituting restructuring on state and local governments.
- Consumers: Assess potential bottom line for consumers, what percent of eventual savings to consumers will result from each of the options.
- Wholesale contracts: Assess how to deal with current long-term power purchase contracts; identify measures to ensure a level playing field.
- Reliability: Assess cost of maintaining spinning reserves and standby capacity and how payment for these systems should be addressed.
- Stability: Assess potential and impact of power suppliers/brokers financial insolvency or quitting the marketplace.

ALASKA LEGISLATURE

- Outline policy issues, possible statutory changes the Legislature may need to address.

ALASKA PUBLIC UTILITIES COMMISSION (APUC)

- Assess role of APUC in restructuring.
- Outline what regulatory measures the agency may need to address (e.g., transitional issues)
- Assess whether statutory changes are required to provide oversight of market players, i.e. currently power marketers may not be required to be certificated or registered with the APUC.

OTHER

- Incorporate, but not duplicate the work products from APUC Docket U-97-140, specifically the Black & Veatch study.
- When reviewing the existing system, consider that more than one competition scheme may be appropriate within the entire state.
- Look at whether or not the existing regulatory scheme is adequate to address any suggested direction for each market segment; if inadequate, identify regulatory oversight needed after restructuring.
- Look at how to make performance-based regulations.
- For each scenario assess the impact new technology has had, does have and could have on electrical systems.
- Discuss implied vs. explicit ratepayer subsidies: What are they? How are they impacted by restructuring?



Study of Electric Utility
Restructuring in Alaska

Request For Proposal

from the:

Legislative Joint Committee on Electric Restructuring
and the
Alaska Public Utilities Commission

November 16, 1998
ASPS # 99-0014

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ATTACHMENTS

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Attachment 6:	Certification of Qualification for Alaska Bidder Preference
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**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL**

1. General Information

1.1. Purpose of the Request For Proposal

The Alaska Legislature and the Alaska Public Utilities Commission (APUC) seek to retain the services of a qualified professional consultant or consulting firm to assist in evaluating the risk/rewards and cost/benefits associated with competition in the electric utility industry in Alaska. Familiarity with current industry structures, practices and technology, and with ongoing developments in electric restructuring at the state and federal level is essential. Deliverables include written analyses, publishable reports, ancillary materials and presentations to the Alaska Legislature. Because of the timeline established by the state, time is of the essence with respect to milestones and deliverables.

It is required that the Consultant closely adhere to the timeline provided in the body of this RFP. The draft report must be available by March 31, 1999, for public review and presentation to the Alaska State Legislature some time around April 19, 1999, in Juneau Alaska.

The funding available for the contract resulting from this RFP shall not exceed \$200,000. Funding is being provided through the APUC contractual funds and the Contract will be administered by the APUC.

1.2. Alaska Business License:

All proposers, including joint ventures, MUST have a valid Alaskan Business License at the time designated for opening of the proposals (AS 36.30.210(e)). One of the following forms of evidence must be included in the proposal:

- a. a canceled check for the business license fee;
- b. a copy of a business license application with a receipt date stamp from the state's business license office;
- c. a receipt from the state's business license office for the license fee;
- d. a copy of the proposer's valid business license; or
- e. a sworn notarized affidavit that the proposer has applied and paid for a business license.

1.3. Other Licenses and Registrations:

All proposers are required to hold any and all necessary applicable professional licenses and registrations required by Alaska Statute. Proof of professional licenses is required with the proposal. Obtaining and ensuring compliance to all licensing and registering requirements is the complete responsibility of the proposer.

For more information on professional licenses, contact the Department of Commerce and Economic Development (DCED), Division of Occupational Licensing, P.O. Box 110806, Juneau, AK 99811-0806 or phone (907) 465-2534. For more information on corporate registrations, contact the DCED,

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Division of Banking, Securities and Corporations, P.O. Box 110807, Juneau, AK 99811-0807 or phone (907) 465-2530.

1.4. Minimum requirements

The following are the minimum requirements that Consultants must meet to be responsive to this RFP.

- a) Must have demonstrated economics and engineering experience.
- b) Must have been in business as an economics or engineering consulting firm for at least two years.
- c) Must have conducted a study in a price range of approximately \$200,000 for an electric public utility or electric utilities.

1.5. Conflict of Interest

Each proposal shall include a statement indicating whether or not the firm or any individual working on the contract has a possible conflict of interest that would affect the objectivity, analysis, and/or performance as required by the "Scope of Work" section of this RFP. This applies to the proposer, subcontractors and joint ventures. Any potential conflicts must be identified in the proposal. A waiver may be requested within 10 days of issuance of this RFP.

Additionally, a proposer, subcontractor or joint venture shall list any existing or previous contract(s) or association with a specific electric utility, class of electric utility customers or other party in a legal or regulatory proceeding in the Alaskan electric industry within the last 5 years.

1.6. Issuing Agency and Contact Person

The issuing office address and telephone number for this RFP is:

State of Alaska
Department of Commerce and Economic Development
Alaska Public Utilities Commission
1016 West 6th Avenue, Suite 400
Anchorage, AK 99501
Attn: Bob Lohr, Executive Director
Phone (907) 276-6222
Fax (907) 276-0160

The state assumes no liability for incorrect addresses, delivery of Letters of Intent or RFP packages by public or private carriers.

Any technical or procedural questions regarding this RFP, contract documents, or associated information should be addressed to **Diane Hunt** at the issuing agency's address.

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1.7. Deadline for Receipt of Proposals

Proposals must be physically received by the issuing agency no later 4 p.m. December 9, 1998. Failure to meet the deadline will result in disqualification of the proposal without review. The state is not liable for delays caused by any public or private mail carrier.

Proposers must submit ten copies of their proposal to the issuing agency. Proposals may be mailed or hand delivered directly to the issuing agency. Faxed proposals are not acceptable. Proposals must be in a sealed envelope and clearly labeled as follows:

**CONFIDENTIAL:
DO NOT OPEN UNTIL December 10, 1998**

State of Alaska
Department of Commerce and Economic Development
Alaska Public Utilities Commission

REQUEST FOR PROPOSAL IN RESPONSE TO: ASPS # 99-0014

For:
**Study of Electric Utility
Restructuring in Alaska**

Attention: Diane Hunt
This proposal is submitted by: (Responding Proposer's Name)

1.8. Proposers Review and Substantive Questions

Proposers should carefully review this RFP for errors, questionable or objectionable materials, and items requiring clarification. Proposers shall put these comments and/or questions in writing and submit them to the issuing agency's contact person at least ten days before the due date of proposals. This will allow time for an addendum to the RFP to be issued, if required, to all recipients of the initial RFP.

1.9. Questions Received Prior to Opening of Proposals

If questions received involve no more than directing the questioner to a specific section of the RFP, questions may be responded to verbally, and do not require a written addendum.

1.10. Addenda to the RFP

The issuing agency reserves the right to issue written addendums to revise or clarify the RFP, respond to questions, and/or extend or shorten the due date of proposals.

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1.11. Preproposal Conference:

A preproposal conference will not be held unless extensive questions arise regarding the RFP.

1.12. Cancellation Of The RFP

The issuing agency retains the right to cancel the RFP process if it is in the State's best interest. The issuing agency shall not be responsible for costs incurred by proposers for proposal preparation. (AS 36.30.350)

1.13. Proposal Withdrawal and Correction

A proposal may be corrected or withdrawn by a written request received prior to the date of opening proposals. (2 AAC 12.230)

1.14. Multiple Proposals:

The issuing agency will not accept multiple proposals from the same proposer.

1.15. Disclosure of Proposal Contents

All proposals and other material submitted become the property of the state and may be returned only at the state's option. All proposal information will be held in confidence until the issuance of the Notice of Intent to Award. Thereafter, proposals will become public information. (AS 09.25.110 and AS 36.30.230)

1.16. Retention of Proposals

All proposals and other material submitted become the issuing agency's property and may be returned only at the issuing agency's option.

1.17. Cost Of Proposal Preparation

Any and all costs incurred by proposers in preparing and submitting a proposal are the proposers' responsibility and shall not be charged to the issuing agency or reflected as an expense of the resulting contract.

1.18. Solicitation/Advertising:

Public notice has been provided in accordance with AS 36.30.210(c), 44.62.175 and 2 AAC 12.220. The RFP has been advertised in the Alaska Administrative Journal, the Anchorage Daily News, Fairbanks Daily News-Miner, Juneau Empire, and the Alaska Journal of Commerce.

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1.19. Alternative Form

If an alternative form of the RFP is required, notify the contact person previously identified or if using a telecommunications device for the deaf (TDD), please contact the department at (907) 465-5437 and leave a message.

1.20. Delivery of Materials

The issuing agency assumes no responsibility or liability for the transmission, delay, or delivery of materials by either public or private carriers.

1.21. Media Announcements

Any and all media announcements pertaining to this RFP require the issuing agency's prior written approval.

1.22. Other Governmental Requirements

It is the responsibility of the proposer to indicate within their proposal the applicability of any other federal, state, municipal, or other governmental statutes, regulations, ordinances, acts, and/or requirements.

1.23. RFP Is Not A Contract

This RFP does not obligate the issuing agency or the selected proposer until a contract is signed and approved by both parties. If approved, it is effective from the date of final approval by the Commissioner of the Department of Commerce and Economic Development. The issuing agency shall not be responsible for work done, even in good faith, prior to final approval of the proposed contract.

1.24. Statewide Standard Terms and Conditions

The successful proposer is expected to comply with the Statewide contractual terms and conditions attached to this RFP and titled:

- 1.24.1. Standard Agreement Form;
- 1.24.2. Appendix A - General Provisions
- 1.24.3. Appendix B1 - Indemnity and Insurance

1.25. DCED Standard Terms and Conditions

The successful proposer is expected to comply with the Department of Commerce and Economic Development's (DCED) standard terms and conditions. All of the terms and conditions may not be applicable to this proposed contract. If there is a conflict between the DCED standard terms and conditions and this RFP, the RFP supersedes until an actual contract exists. The attachments are titled:

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- 1.25.1. Appendix C - Scope of Services
- 1.25.2. Appendix D - Financial Considerations

1.26. Concerns With Standard Terms and Conditions

If a proposer has concerns with either the Statewide or DCED Standard Terms and Conditions, they should put their comments and/or questions in writing and submit them to the issuing agency's contact person at least ten days before the due date of proposals. This will allow time for an addendum to the RFP to be issued, if required, to all recipients of the initial RFP.

The issuing agency reserves the right to not award or cancel the award of the contract to a proposer who will not agree to all the standard terms and conditions.

1.27. Performance Bonds and/or Surety Deposits

The issuing agency reserves the right to require a performance bond or surety deposit to assure the Contractor's performance of all contract terms and conditions.

1.28. Liquidated Damages

The issuing agency reserves the right to require liquidated damages to assure the Contractor's performance of all contract terms and conditions.

1.29. Additional Terms and Conditions

The issuing agency reserves the right to include additional terms and conditions during contract negotiations. However, these terms and conditions must be within the scope of the original RFP and will be limited to price, clarification, definition, and administrative and legal requirements.

1.30. Contract Negotiations

Upon completion of the evaluation process, contract negotiations will commence. If the selected proposer fails to provide the necessary information for negotiations in a timely manner, negotiate in good faith, or cannot perform the contract within the amount of funds available for the project and/or as proposed, the issuing agency may terminate negotiations and negotiate with the next highest ranked proposer, or terminate award of the contract. The issuing agency shall not be responsible for costs incurred by the proposer resulting from contract negotiations.

1.31. Estimated Timeline of RFP Process

This schedule is for informational purposes only, as some actual dates may vary depending on the response to this RFP. It is unlikely, however, that a contract will be awarded before January 6, 1999.

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<u>Step</u>	<u>Day #</u>	<u>Date</u>	<u>Description</u>
1.		22-Oct-98	Advertisement submittal for the Alaska Administrative Journal.
2.		27-Oct	Publish newspaper advertisement.
3.	1	16-Nov	RFP available.
4.	11-13	27-Nov	Significant questions received ten days after RFP is available, but no later than ten (10) days before the proposal submission deadline.
5.	14	30-Nov	Send RFP Addendum to all potential proposers in response to significant questions received.
6.	23	9-Dec	Deadline for submitting proposals.
7.	24	10-Dec	Opening of proposals.
8.	31	17-Dec*	Interview Top Three Candidates
9.	24-38	24-Dec	Evaluation committee review.
10.	42	28-Dec	Issue Notice of Intent to Award.
11.	48	4-Jan-99	Grievance period.
12.	55	11-Jan	Contract negotiations; Execute contract.
13.	57	13-Jan	Consultant approval and signature.
14.	62	15-Jan	Department approval and signature.
15.	63	18-Jan	Contract start date.

* Contingent upon availability of evaluation committee

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2. Historical Information Pertinent To The Proposed Contract

The electric utility industry is undergoing significant, evolutionary changes in the Lower 48 states. These changes have resulted in part from the Energy Policy Act of 1992 and Order No. 888 of the Federal Energy Regulatory Commission (FERC) in derivative proceedings (Note: Order No. 888 does not apply to Alaska). The industry has begun to move away from a vertically integrated monopoly regulated structure. At the federal level, new requirements for "comparable" transmission access and non-discriminatory availability of real-time network information are promoting competition in general. Concomitantly, 45 states have adopted or are considering changes in the way consumers receive electric service, including the introduction or examination of retail competition and consumer choice. Although FERC Order No. 888 does not cover Alaska, Alaska is interested in new business structure and benefits that might arise out of restructuring.

Whether such restructuring efforts will produce sustained, sustainable consumer benefits is unresolved. The form, scope, and substance of the individual state programs vary widely from state to state, as does the relative degree of enthusiasm for large-scale restructuring of the industry. Other countries have made considerable progress on this issue, however, to the extent states have adopted programs, those programs are for the most part in the inception stage. Inadequate time has elapsed to provide an empirically sound basis for assessing long-term public interest benefits available from any particular restructuring effort.

Against this backdrop, issues concerning competition and deregulation have come before the Legislature and the APUC. Though not physically interconnected to the Lower 48 grid, Alaska is not insulated from the social and political forces driving review and revision elsewhere in the country. These forces have begun to move policy makers in the State to review and consider the present condition of the electric industry in Alaska, the possibilities of change in the industry structure here, and the prospects for public interest benefits flowing from whatever course might be chosen.

It is imperative that Alaska's utility structure be properly evaluated in comparison to the more cohesive infrastructures, technology options, and generation providers available in the Lower 48. In short, if beneficial to Alaska in all or in part, it is important to establish a restructuring template for Alaska that ensures economic benefits to its citizens while protecting against harm to consumers who don't have the market strength to protect their financial interests.

APUC, which has formal jurisdictional oversight over all electric utilities and utility services in the state, has been engaged for several years in various adjudications, which to some degree have impacted electric industry and market restructuring issues. More recently, the APUC inaugurated dockets focused on:

- a) power pooling and dispatch planning among the Railbelt¹ electric utilities (DOCKET U-97-140); and

¹ "Railbelt" utilities referenced in this RFP refer to the interconnected utilities of Chugach Electric Association, Inc. (Chugach); Golden Valley Electric Association, Inc. (GVEA); Homer Electric Association, Inc. (HEA); (continued)

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- b) a more general rulemaking inquiry into electric restructuring issues (DOCKET R-97-10).

Both dockets raise a wide range of issues with broad potential impacts upon the public as well as industry. APUC activity is now paralleled by legislative action. Pursuant to House Concurrent Resolution 34 (Attachment 8), the Legislature has established a Joint Committee on Electric Utility Restructuring (Joint Committee) to examine various restructuring and competition issues. The Joint Committee must submit its recommendations to the 21st Legislature.

2.1. Synopsis

The Alaska Legislature represents all classes of electric consumers in the State of Alaska. The APUC is the primary state regulatory agency whose decisions regarding electric utilities can affect all classes of electric consumers. Consumer-owned electric utilities provide electric service to most of the state's more than 600,000 residents.

The electric system in Alaska is physically isolated from those of the contiguous states; the social, economic and political considerations underlying electric industry restructuring initiatives in other states have begun to be considered in Alaska. APUC and the Legislature are examining the present condition of and possible alternatives for the electric industry in the state. The APUC has before it Docket U-97-140 that will result in a preliminary study of power pooling and central dispatch planning for the integrated portion of Alaska's electric network (the "Railbelt" area). The Legislature has appointed a Joint Committee on Electric Utility Restructuring to recommend to the 21st Alaska Legislature (convenes January 19, 1999) whether and how to implement electric utility restructuring in Alaska.

Attachment 9 is a listing of the Issues/Scenarios developed during the Joint Committee's public meeting process. The listing is included for informational purposes to provide additional background for the items included in the scope of work.

(continued)

Matanuska Electric Association, Inc. (MEA); the Municipality of Anchorage d/b/a Municipal Light and Power Department (ML&P) and City of Seward, Seward Electric Utilities Division (SES). Alaska Electric Generation & Transmission Cooperative, Inc. (AEG&T), is a wholesale supplier.

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3. Scope Of Work Pertinent To The Proposed Contract

3.1. Location of Work

All work shall be performed, completed and managed at the primary location(s) of the contractor.

3.2. Proposed Contract Amount

The maximum acceptable dollar amount for the completion of this project is \$200,000. Any proposal submitted which exceeds this maximum dollar amount shall be considered non-responsive and shall be rejected.

3.3. Contract Term

The contract term is from the date of signature by the Commissioner through December 31, 1999; however, all reports are due as specified in section 3.5.5 of this RFP.

3.4. General Responsibilities

The Consultant shall provide a quantitative analysis for each type of utility market in Alaska. Alaska has a diverse electric utility market. This study shall separately analyze Alaska's interconnected "Railbelt" market and all other electric markets outside of the Railbelt. In its final report, the Consultant may recommend additional or other market segmentation.

Consultant must be readily available to the Legislature and the APUC during the course of the project for discussion and advice. This includes formal and informal meetings, and may involve consultation with the Alaska State Legislature from time to time. The Consultant may be required to interact with individual legislators, but will not be required to engage in individual member's projects or other matters outside the scope of this contract. The Consultant must be free of conflicts of interest at inception of work on this project and must remain so at all times until after completion of the contract.

The anticipated magnitude of the work effort and the limited, defined time period available to respond to the scope of the contract, places a premium on responsiveness to schedule. The Consultant will be expected to meet all deadlines and milestones established without sacrificing the accuracy, completeness and quality of the work product.

3.4.1. General Statements

Economic Assessment: The Consultant is to provide an economic/engineering assessment that will address the risk/reward and cost/benefit of wholesale and retail competition in each type of Alaska electric market. Assess rate impacts and both direct and indirect economic impacts. Also assess the economic impact of new technological advancements.

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Market Concentration: The Consultant shall address whether competition in the wholesale or retail markets will increase or decrease the number of service providers. If competition and deregulation increase market power or barriers to entry what are the ways to mitigate them?

Role of APUC in Restructuring: The Consultant shall discuss role of the APUC in the transition toward a competitive electric market. The Consultant shall also discuss any State or Federal Laws that are an impediment to implementing competitive electric service or are a barrier to entry of valid market participants.

The Consultant shall be guided by its work on the General Statements made above to analyze the following areas:

3.4.1.1. Retail Customer Choice

Lessons from other states and countries that are relevant to Alaska
Pilot program (EARLIEST DELIVERABLE)

3.4.1.2. Wholesale Competition

Effectiveness of competition in existing and alternative market structures

3.4.1.3. Network Integrity

Possible handling of peak load times
Black & Veatch Study of Power Pooling/Central Dispatch Planning Study

3.4.1.4. Consumer protection and Universal Service

Power Cost Equalization (PCE)
Provider of Last resort
Assess potential problems related to cherry-picking

3.4.1.5. Stranded Costs due to restructuring

Transmission lines (state ownership and financing)
Wholesale contracts
Impacts of restructuring on tax-free and municipal bonds
Revenue implications for local government

3.4.2. Modeling Guidelines

This section provides the guidelines for the Consultant concerning modeling guidelines to be used in preparing proposals. The study shall assume that transmission and distribution systems will have open access tariffs and will be economically regulated as to rates, terms, and conditions of service.

3.4.2.1. Base Case

The Consultant shall develop base cases representing the current status absent any change in regulatory scenarios. The base cases shall be developed so that all alternative regulatory scenarios

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can be projected until 2016². Generally, the base case assumes the continuation of existing rate base rate of return regulation. Utilities continue to own existing power plants and continue to finance and build own generation to meet load growth.

In addition, as part of the base case the Consultant shall identify any problems or constraints with the operation of the existing wholesale market.

3.4.2.2. Sensitivity Analysis

For the competitive market scenario, the Consultant shall address the impacts of the following alternative assumptions:

- a) High, medium and low load forecast
- b) High, medium and low fuel prices

3.5. Deliverables

The following are to be provided by the Consultant as part of this project.

3.5.1. Written Report

As directed by the State, produce a final and comprehensive written report reflecting the Consultant's conclusions and reasoning concerning the above requirements. The final report should include written analyses, publishable reports, and ancillary materials, all of which become the property of the State of Alaska. One hundred bound copies of the report shall be provided and delivered to the distribution list to be provided. The entire report shall be provided in Adobe Acrobat electronic format for posting on the APUC's and the State's WEB pages.

3.5.2. Peer Group Review

The Consultant shall assemble and consult with a peer group, consisting of three members, who are not employees, contractors, or otherwise connected with the Consultant, regarding the written report. The State shall approve all members of the peer review team. Along with the draft report, the Consultant shall provide the State with a copy of written remarks from members of the peer group.

3.5.3. Presentation

As a part of the contract, the Consultant must be available to present the report to the Alaska State Legislature, to testify before the Alaska State Legislature and other committees of the Alaska Legislature in Juneau, and the Commission in Anchorage on this matter through December 1999.

² This is the same planning horizon used in Black & Veatch's Alaska Power Pool Study.

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3.5.4. Pilot Project

The Consultant shall analyze the proposed Pilot Program filed with the APUC in its Docket U-98-114³. The Consultant shall comment and recommend any changes to the proposed model to establish a market structure that is compatible with the Anchorage area. The mechanics of the model should then be scrutinized so that the results of the pilot program will emulate the results that can be expected if the entire Anchorage market were opened to this market structure. The Consultant should list pitfalls and assess the sensitivity of the pilot program as well as recommend any legislative initiative that will be required to implement the pilot program.

3.5.5. Timeline

<u>Step</u>	<u>Day #</u>	<u>Date</u>	<u>Description</u>
1.	1	18-Jan -99	Anticipated Contract start date
2.	11	29-Jan	Data Collection
3.	32	19-Feb	Benchmark Existing Operation
4.	39	26-Feb	Model Wholesale Market
5.	46	5-Mar	Model Retail Market
6.	53	12-Mar	Pilot Program Design Recommendation Delivered
7.	60	19-Mar	Cost/Benefit Analysis
8.	72	31-Mar	Draft report delivered
9.	85	13-Apr	End of Public Comment Period
10.	84-95	Mid Apr	Legislative Hearing(s)
11.	103-115	Early May	APUC Hearing
12.	163	30-June-99	Final Report Due
13.	347	31-Dec-99	Available for Consultation for this time period

3.6. Consultant's Compensation

Payment will be based upon completion of steps 8 and 12 above for the following expenses. A 10% withholding on payment will be kept if the Consultant falls behind the above schedule.

Direct Expenses: Reimbursement by the issuing agency of direct expenses, as identified in the Consultant's proposal, and actually incurred by the Contractor in performance of the Contract. There shall be no markup or increase to direct expenses and any discounts received by the Contractor shall be passed on to the issuing agency. Direct expenses vary, depending

³ Entitled: *In the Matter of the Application by AURORA POWER RESOURCES, INC. To Establish a Pilot Program To Allow the Limited Competitive Sale of Electric Power in CHUGACH ELECTRIC ASSOCIATION, INC., and MUNICIPAL LIGHT & POWER Service Areas*

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on the nature of the proposed contract. Some typical examples of direct expenses are long distance telephone calls, faxes, postage, printing, reproduction, and specific travel.

Services Fees: Payment by the issuing agency for time spent by the Contractor in performance of the Contract. This includes but is not limited to daily and hourly fees and/or rates for individuals as identified in the consultant's proposal.

Other Fees and/or Rates: Payment by the issuing agency for other services based on specific fees and/or rates identified in the consultant's proposal.

Indirect Expenses: Indirect expenses, indirect rates, and/or a markup of direct expenses are not allowable or reimbursable under the proposed contract.

Indirect expenses vary, depending on the nature of the proposed contract. Some typical examples of indirect expenses are payroll and travel for administrative personnel, office space, equipment, local telephone, and insurance.

Renewal Options: If the proposed contract is renewed, all fees and/or rates would remain the same throughout the life of the proposed contract.

3.7. Joint Ventures

Joint venturing shall be allowed. If allowed and proposed by the proposer, a Joint Venture Agreement as discussed in the "Proposal Content and Requirements" section of this RFP is required.

3.8. Subcontractors

Subcontracting shall be allowed. If subcontracting is allowed and proposed by the proposer, the information as discussed in the "Proposal Content and Requirements" section of this RFP is required.

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4. Proposal Content and Requirements

All proposals submitted in response to this RFP must use the following outline format for their proposal(s).

4.1. Required Proposal Format

Submit ten copies of the proposal. They are to be three-hole punched with printing on BOTH sides of the paper and pages numbered. A Table of Contents, which follows the format below and reflects page numbers, is also required. The proposal, including all attachments, shall be limited to 50 pages of text and illustrations.

The proposer MUST address ALL the items and IN THE ORDER reflected below.

4.2. Introduction

Provide a brief general discussion of the proposal, including the Proposer's name and address and whether this is a joint venture and if so with whom. If proposing a joint venture, the term Proposer is inclusive of all joint venturing firms.

4.3. Minimum Requirements

Provide a detailed and precise discussion, including SPECIFIC EXAMPLES, of meeting EACH of the minimum requirements established in Section 1.4 "General Information" of this RFP, to be considered responsive to this RFP. Attach documentation substantiating that the proposer has complied with all of the minimum requirements as listed in the "Proposer Qualifications". Limit discussion only to the minimum requirements.

4.4. Conflict of Interest

Provide a detailed and precise listing of any potential conflicts of interest, with regard to Section 1.5 "General Information" of the RFP.

4.5. Methodology and Management Plan

Provide a detailed discussion of the Proposer's understanding of the proposed contract and the approach and methods that the Consultant will use to accomplish the tasks as stated in the "Scope of Work" section of this RFP. Also, discuss in detail what will be performed; by whom, specific personnel or subcontractors, and in what sequence; how the various functions/responsibilities will be carried out and the interaction and communication between the issuing agency and proposer, or subcontractors. Be specific in addressing the various elements, functions and responsibilities in the order presented and outlined in the "Scope of Work" section of the RFP.

The Consultant must have a balanced viewpoint on the issue of electric utility restructuring.

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The Consultant must also have sufficient resources (personnel, software and hardware) to effectively process, analyze and evaluate significant amounts of raw data. Multiple sources of data may be offered and disparate forms, protocols, etc., can be anticipated. Some data may be proprietary, confidential or otherwise privileged in source or character, requiring the ability to handle such data in a conforming manner and to effectively control and limit the exposure or dissemination of such data.

Provide names resume, and biographies of each peer review panel member.

4.6. *Proposer's Organization, Experience, Performance Record and Resources*

Specifically discuss the Proposer's, including all joint venturer's, experience. (Do not include subcontractor's experience here, but include in item 4.11 of this section.) If minimum requirements have been established, those shall be addressed in Item 4.3 of this section). The following shall be provided:

- a. Consultant must demonstrate experience in electric industry matters, generally, and with knowledge of the current condition of restructuring elsewhere. Economics experience is mandatory. Engineering experience is highly desirable.
- b. The Consultant must be familiar with all aspects of policy formulation, from data gathering, to data analysis, to evaluation, to policy development and exposition. The Consultant must also be familiar with emerging technical, operational and financial issues (e.g., ISO functionality, securitization, power marketing, etc.).
- c. A detailed discussion of the Proposer's ownership, headquarters, branch or affiliate offices and length of time in business.
- d. A detailed discussion of the Proposer' structure, size and capabilities/quantities available in terms of personnel and equipment. Indicate if the award of this contract would require the acquisition of additional space, equipment, personnel or any other items. Be specific as possible, i.e., how much additional space, specific equipment, the number and function of additional employees, etc.
- e. A detailed discussion of the length of time in business, qualifications and experience relative to the services required for this proposed contract.
- f. A detailed discussion and listing of current clients, brief description of services provided, approximate dollar amount of each account, and a contact name and phone number of at least three of whom may be contacted.
- g. Discuss how the Proposer evaluates the effectiveness of its services.
- h. Identify any distinct and substantive qualifications for undertaking the proposed contract, such as the availability of specialized equipment, awards and recognition

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received from similar services, or special approaches or concepts relevant to the required services.

- i. Include any other information that is felt to be pertinent and you wish to provide.
- j. Three references familiar with the Proposer's work that is similar to the work product requested by this RFP.
- k. Brief synopsis of reports the Proposer's has produced related to the electric industry in the last 4 years. Limit response to five pages. Indicate whether reports are publicly available. Copies may be requested for evaluation purposes.

4.7. Project Manager

Identify the responsibilities, amount of time and the individual who will be the Project Manager leading the project and working directly with the issuing agency.

A resume, which includes at least three references with phone numbers, shall be provided. Irrelevant resume information may detract from the proposal evaluation. A list of projects is not useful unless the individual's specific and relevant duties and responsibilities are identified.

The State reserves the right to approve or disapprove any change to the selected proposer's Project Manager. This ensures that an individual is not arbitrarily removed from the Contract. Personnel changes that negatively impact project performance may result in the cancellation of the Contract.

4.8. Key Project Personnel

Identify the responsibilities, amount of time, of the key individuals who will be assigned to the proposed contract.

A resume, which includes at least three references with phone numbers, shall be provided. Irrelevant resume information may detract from the proposal evaluation. A list of projects is not useful unless the individual's specific and relevant duties and responsibilities are identified.

The State reserves the right to approve or disapprove any change in the selected proposer's project team members who are specifically offered in the proposal. This ensures those individuals with pertinent experience and vital skills are not arbitrarily removed from the Contract. Personnel changes that negatively impact project performance may result in the cancellation of the Contract.

4.9. Other Pertinent Information

Include any other information, which is pertinent in responding to this RFP.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL
(continued)**

4.10. Price of Proposal

Based on the requirements of this RFP and the proposer's proposal, proposers are to submit a detailed budget reflecting the following:

Direct Expenses: Direct expenses incurred by the Contractor in performance of the proposed contract. Examples of direct expenses are long distance phone calls, courier services, travel expenses, and subcontractors.

Service Fees and/or Rates: For the Project Manager, all key personnel, and any other staff identified and/or associated with the performance of the proposed contract identify the number of days and/or hours, multiplied by the applicable fees and/or rates so that a price for each individual is reflected.

Other Fees and/or Rates: Identify any other specific fees and/or rates and/or compensation methods to be used in performance of the proposed contract.

Total Proposed Price: Using the identified direct expenses, fees, and rates; provide a total price for the performance of the proposed contract.

4.11. Subcontractors

If proposing a subcontractor, the Consultant should actively pursue partnerships with Alaska businesses (if not an Alaska business). All the information that is required for the Proposer in Items 4.4 through 4.9 is required for ALL subcontractors. Throughout the proposal, subcontractor's experience and personnel shall be specifically identified in the appropriate section.

In response to this section, a list of all proposed subcontractors' names, addresses, a brief description of and percentage of work to be performed by each subcontractor shall be included.

A subcontract shall not be transferred or otherwise assigned without prior written consent by the head of the issuing agency. All other conditions of AS 36.30.210(d) and AS 36.30.115(b) through (e) apply to all subcontractors.

4.12. Joint Venture Agreement

If proposing a joint venture, the Consultant should actively pursue partnerships with Alaska businesses (if not an Alaska business). In addition to *identifying the joint venturers and their employees throughout each element* (IE. Minimum Requirements, Conflict of Interest, Management Plan and Methodology, Organization, Proposer's Experience, Project Manager and Key Personnel, and Price) *of the proposal*, a written Joint Venture Agreement must be included in the proposal.

The Agreement must specifically state each firm's responsibility; identify the lead firm; and designate the individual with signatory and negotiating authority and who is responsible for the proposed contract. The Agreement shall be signed by all firms comprising the joint venture and be

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL
(continued)**

included with the proposal. To be considered a joint venture, there must be a community of interest in the proposed contract and an equal right for each firm to govern. This is applicable only if joint ventures are allowable under this RFP.

When submitting a joint venture, the Alaska Business License Requirement applies to *each* firm comprising the joint venture.

4.13. Alaska Business Licenses

As discussed in Section 1.2 "General Information" of this RFP, submission of proof of an Alaska Business License for the proposer (proposers if a joint venture) and all subcontractors is required. The proposer's name on the submitted proposal must be the same as appearing on the proposer's current Alaska business license.

4.14. Other Licenses and Registrations

As discussed in Section 1.3 "General Information" of this RFP, submission of proof of all applicable professional licenses for the proposer and all subcontractors is required.

4.15. Alaska Bidder Preference

Compliance with and the submission of the Certificate of Qualification for the Alaska Bidder Preference is required in order to obtain the preference, if it is applicable.

The proposer's name on the submitted proposal must be the same as that appearing on the proposer's current Alaska business license.

**DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL
(continued)**

5. Review of Proposals

5.1. Responsiveness

Prior to evaluation, each proposal shall be reviewed to determine whether or not it is responsive. Non-responsive proposals shall be eliminated and will not be evaluated. (AS 36.30.350 and 2 AAC 12.870) Factors that may result in a proposal being declared nonresponsive are:

- 5.1.1. Not meeting the Alaska Business License (ABL) requirement.
- 5.1.2. Not meeting other licenses and registrations if required.
- 5.1.3. Not providing evidence of meeting the Minimum Requirements.
- 5.1.4. Substantive and material conflicts of interest which were not declared and/or were declared and determined to be significant enough that the issuing agency requested the potential proposer not submit a proposal.
- 5.1.5. Substantive and material noncompliance to requirements of the RFP proposal submission guideline.
- 5.1.6. Not providing a price.

5.2. Evaluation Process

The procurement officer, or an evaluation committee consisting of at least three state employees or public officials, shall evaluate responsive proposals. Each proposal shall be independently evaluated by each member of the evaluation committee. (2 AAC 12.260)

The evaluation will be based on the evaluation factors and values stated in this RFP. Discussions, presentations, and/or site inspections, if held, may result in individual evaluation committee members changing their scores. Evaluation factors not specified in this RFP may not be considered per AS 36.30.210(b) and AS 36.30.250(a).

5.3. Evaluation Factors

As required by 2 AAC 12.260(b), the evaluation factors and the value of each are:

a. Methodology and/or Management Plan and Peer Group	30
b. Respondent's Organization, Experience, Performance Record and Resources	20
c. Project Manager and Key Project Personnel	20
d. Cost of Proposal	20
e. Alaska Bidders Preference (Considered by reducing proposal price by 5%)	
f. Alaska Offerors Preferences	<u>10</u>
Maximum Possible Points	100

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL
(continued)

5.4. Cost Evaluation Formula

Price as an evaluation factor is required by 2 AAC 12.260 unless the services sought are architectural, engineering, or for land surveying and therefore fall under AS 36.30.270(a) and (b). The proposal with the lowest price, after all preferences are applied, shall receive the maximum points. The points allocated to each of the higher priced proposals shall be determined using the following formula:

$$\frac{(\text{Price of Lowest Cost Proposal}) \times (\text{Maximum Points of Cost})}{\text{Price of Each Higher Cost Proposal}} = \text{Points}$$

5.5. Alaska Bidder Preferences:

A 5% reduction (for evaluation purposes only) to the proposal's price is applied per AS 36.30.250(b) and 2 AAC 12.260(d) if a proposer qualifies as an Alaska bidder as defined by AS 36.30.170(b). It is the proposer's responsibility to complete, sign and return the "Certificate of Qualification for the Alaska Bidder's Preference form with their proposal.

An Alaskan bidder is a person who:

- holds a current Alaska business license;
- submits a bid for goods, services, or construction under the name that appears on the person's current Alaska business license;
- has maintained a place of business for the six (6) month period immediately preceding the date of the bid;
- is incorporated or qualified to do business under the laws of the state, is a sole proprietorship, and the proprietor is a resident of the state or is a partnership, and all partners are residents of the state; and
- is a member of a joint venture composed entirely of ventures that qualify as an Alaskan bidder as defined above.

5.6. Alaska Offeror's Preference

Ten percent of the maximum possible score, if a numerical rating system is used, is assigned to the evaluation factor of Alaska Offeror's Preference as required by 2 AAC 12.260(e). To be eligible, a proposer must first qualify for and comply with every aspect of the Alaska Bidder Preference.

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL
(continued)

5.7. Other Preferences

It is the proposer's responsibility to submit whatever evidence is necessary to verify the proposer's claim to additional preferences. These preferences may or may not be applicable to proposals. Some of the other preferences are:

Employment Programs	AS 36.30.250(b)	AS 36.30.170
Disabled Owner and/or Employees	AS 36.30.250(b)	AS 36.30.170(e)-(f)
Alaska Products	AS 36.30.170(b)	AS 36.30.328
Alaska Forest Products	AS 36.30.170(b)	AS 36.30.322
Recycled Paper	AS 36.30.170(b)	AS 36.30.339(a)
Agriculture & Fisheries	AS 36.15.050	

5.8. Discussions

AS 36.30.240 and 2 AAC 12.290 in their entirety, are incorporated into this RFP. As determined by the evaluation process, proposers reasonably susceptible of award may be offered the opportunity to discuss their proposal with the procurement officer or evaluation committee and the proposal may be adjusted as a result of the discussion. Proposers may also be allowed to submit a best and final proposal, as a result of the discussion.

5.9. Presentations

The issuing agency reserves the right to require an oral presentation. As determined by the evaluation process, proposers reasonably susceptible of award may be afforded the opportunity to give an oral presentation. If so afforded, proposers will be notified in writing of the presentation's requirements, date, time, location, and amount of time allowed for the presentation and/or questions and answer period. Time frames will be strictly enforced.

The entire evaluation committee must be present for oral presentations. All costs associated with an oral presentation shall be borne by the proposer.

5.10. Public Meetings

According to AS 36.30.230 and AS 36.30.240 open meeting requirements of AS 44.62.310 do not apply to the evaluation process.

5.11. Notice Of Intent To Award

After completion of the evaluation process, the issuing agency will issue a Notice of Intent to Award containing the names and addresses of all proposers and the intended recipient of the contract to all proposers. A copy of the form is attached to this RFP. (AS 36.30.365)

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
REQUEST FOR PROPOSAL
(continued)

5.12. Informal Debriefing

Any proposer may request and receive an informal debriefing after the Notice of Intent to Award is mailed out. The debriefing shall be limited to the offeror's proposal, concentrating on the areas considered deficient or inferior. The merits of other proposals will not be discussed.

**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
PROFESSIONAL SERVICES CONTRACT**

ATTACHMENTS

- | | |
|---------------|---|
| Attachment 1: | Standard Agreement Form |
| Attachment 2: | Appendix A (back of the Standard Agreement Form) |
| Attachment 3: | Appendix B1 |
| Attachment 4: | Appendix C |
| Attachment 5: | Appendix D |
| Attachment 6: | Certification of Qualification for Alaska Bidder Preference |
| Attachment 7: | Notice of Intent to Award |
| Attachment 8: | House Concurrent Resolution No. 34 |
| Attachment 9: | Guidelines Suggested by Joint Committee |

STANDARD AGREEMENT FORM

1. Agency Contract Number	2. ASPS Number 99-0014	3. Financial Coding	4. Agency Assigned Encumbrance Number
5. Vendor Number		6. Alaska Business License Number	

This contract is between the State of Alaska,

7. Department of Commerce and Economic Development	Division Alaska Public Utilities Commission	hereafter the State, and
8. Contractor		hereafter the Contractor

Mailing Address	Street or P.O. Box	City	State	ZIP + 4
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9.

ARTICLE 1.	Appendices: Appendices referred to in this contract and attached to it are considered part of it.
ARTICLE 2.	Performance of Service
2.1	Appendix A (General Provisions). Articles 1 through 14, governs the performance of services under this contract.
2.2	Appendix B sets forth the liability and insurance provisions of this contract.
2.3	Appendix C sets forth the services to be performed by the contractor.
ARTICLE 3.	Period of performance: The period of performance for this contract begins upon signature by the and ends
ARTICLE 4.	Considerations:
4.1	In full consideration of the contractor's performance under this contract, the State shall pay the contractor a sum not to exceed in accordance with the provisions of Appendix D.
4.2	When billing the State, the contractor shall refer to the Authority number of the Agency Contract Number and send the billing to:

10. Department of Commerce and Economic Development	Attention: Division of Alaska Public Utilities Commission
Mailing Address 1016 West Sixth Avenue, Suite 400, Anchorage, AK 99501-1963	Attention:

11. CONTRACTOR		13. CERTIFICATION: I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alterations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the variety, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.815-.820. Other disciplinary action may be taken up to and including dismissal.
Name of Firm		
Signature of Authorized Representative	Date	
Typed or Printed Name of Authorized Representative		
Title	Employer ID No. (EIN) or	

12. CONTRACTING AGENCY		Signature of Head of Contracting or designee	Date
Department/Division DCED/Alaska Public Utilities Commission	Date		
Signature of Project Director		Typed or Printed Name Deborah B. Sedwick	
Typed or Printed Name of Project Director Robert A. Lohr		Title Commissioner	
Title Executive Director			

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

**APPENDIX A
GENERAL PROVISIONS**

Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the department for which this contract is to be performed and for which the Commissioner or Authorized Designee acted in signing this contract.

Article 2. Inspection and Reports.

- 2.1 The department may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 The Contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

- 3.1 Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 36.30.620-632.

Article 4. Equal Employment Opportunity.

- 4.1 The contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, physical handicap, age, sex, marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 The contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 The contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 The contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.
- 4.5 The contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

The contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

The contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of Law the General Provisions of this contract supersede any provisions in other appendices.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

The contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

APPENDIX B¹

INDEMNITY AND INSURANCE

Article 1. Indemnification

The contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for error, omission or negligent act of the contractor under this agreement. The contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the contractor and the independent negligence of the contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. Contractor and Contracting agency, as used within this and the following article, include the employees, agents, and other contractors who are directly responsible, respectively, to each. The term independent negligence is negligence other than in the Contracting agency's selection, administration, monitoring, or controlling of the Contractor and in approving or accepting the Contractor's work.

Article 2. Insurance

Without limiting Contractor's indemnification, it is agreed that Contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the Contractor's policy contains higher limits, the state shall be entitled to coverage to the extent of such higher limits. Certificates of Insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a 30-day prior notice of cancellation, nonrenewal or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the Contractor's services. All insurance policies shall comply with, and be issued by insurers licensed to transact the business of insurance under AS 21.

2.1. Workers' Compensation Insurance: The contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including, but not limited to, Federal U.S.L.&H. and Jones Act requirements. The policy must waive subrogation against the State.

2.2. Commercial General Liability Insurance: covering all business premises and operations used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per occurrence.

2.3. Commercial Automobile Liability Insurance: covering all vehicles used by the Contractor in the performance of services under this agreement with minimum coverage limits of \$300,000 combined single limit per occurrence.

**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
PROFESSIONAL SERVICES CONTRACT**

APPENDIX C

SERVICES TO BE PERFORMED

Article C-1. General: [Consultants Name], hereafter referred to as the "Contractor," shall perform the below described services for the Department of Commerce and Economic Development, Alaska Public Utilities Commission, hereafter referred to as the "Client."

Article C-2. Responsibilities: Responsibilities include those discussed in the Request For Proposal (RFP) issued by the Client; proposal submitted by the Contractor; and any additional responsibilities identified in this Contract

Article C-3 . Multiple Projects and Assignments: If the Client requires the services of the Contractor on an as-needed basis, the Contractor shall submit a detailed cost estimate using Appendix E or a similar format. All direct expenses, estimated time frame, individuals assigned, and any and all costs of the project are to be identified. Work shall not commence until the Contractor receives the Client's written approval.

Article C-4. Project Manager & Key Personnel: The following personnel, as identified in the Contractor's proposal, are considered essential in performing the work under this Contract:

<u>Name</u>	<u>Title/Function</u>
Person A	President
Person B	Project Manager

The Contractor shall not make personnel changes without submitting written justification to the Client and receiving the Client's written approval. The Contractor shall provide copies of any and all required licenses, certifications and any other requirements concerning personnel changes.

Article C-7. New and Unused: All products, materials, supplies or equipment supplied by the Contractor in the performance of this Contract, shall be new, unused, and of the latest manufacture, edition, version, or model.

Article C-8. Continuing Guarantee: Upon expiration of this Contract, the Contractor is obligated to fulfill its responsibilities until warranty, guarantee, maintenance and/or parts availability have completely expired.

Article C-9. Other Governmental Requirements: The Contractor shall comply with all federal, state, municipal, or other governmental statutes, regulations, ordinances, acts, and/or requirements.

Article C-10. Rejection of Work: The Contractor shall be responsible for the quality, accuracy, and proper performance of the work identified in the Contract. The Client may reject any work found to be defective or not in accordance with this Contract, regardless of the stage of completion and the time or place the error was discovered. The Client may also reject defective work that has been previously approved because of an oversight during inspection/approval.

Article C-11. Media Announcements: Any and all media announcements pertaining to this Contract require the Client's prior written approval.

Article C-12. Written Communication: All written communication and invoices to the Client shall be addressed as identified on the Standard Agreement Form, Item 10.

Article C-13. Contract Amendments: Either party shall notify the other immediately of any known circumstances which may require an amendment. This Contract shall only be changed or modified by the execution of a written amendment, signed by all parties.

**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
PROFESSIONAL SERVICES CONTRACT**

SERVICES TO BE PERFORMED (continued)

Article C-14. Confidentiality: The parties shall not, at any time, during or after the term of the Contract, disclose trade secrets or other proprietary data deemed confidential by both the Contractor and Client.

Article C-15. Default: In case of default by the Contractor, for any reason whatsoever, the Client may procure the goods or services from another source and hold the Contractor responsible for any resulting excess cost and may seek other remedies under law or equity. Failure to perform and/or comply with each of the Articles under this Contract constitutes a material breach and may result in termination of the Contract.

Article C-16. Waiver: The waiver by one party of any breach of the Contract, or the failure of one party to enforce any of the provisions, shall be limited to a particular instance. Neither party shall waive any future breaches or future provisions merely because a breach has been waived in a particular instance.

Article C-17. Severability: If any provision of the Contract is found to be invalid under, or contravene to the laws of any particular state, borough, or county, such contravention shall not invalidate the entire Contract. The Contract shall be construed as if the invalid provision is not contained in the Contract. AS 36.30.950

Article C-18. Entire Agreement: By reference, the Request for Proposals issued by the Client; the Contractor's proposal; the Standard Agreement Form and Appendix A, B, C, and D are incorporated into this Contract. This incorporates the entire understanding, and each party acknowledges that there are no other warranties, representations, covenants, or understandings of any kind, matter or description whatsoever, between the parties.

Article C-19. Conflicting Provisions: In the event of any conflicting provisions, the order of procedure for resolving any conflict shall be:

- First, Standard Agreement Form, Appendix A and Appendix B;
- Second, Appendix C, Appendix D, and other appendices;
- Third, proposal submitted by the Contractor; and
- Fourth, Request For Proposals (RFP) issued by the Alaska Public Utilities Commission

**Department of Commerce and Economic Development
Professional Services Contract**

Appendix D - Financial Considerations

Article D-1. Initial Amount and Term: The initial amount shall not exceed \$. The initial term is from the date of signature by the Commissioner of the Department of Commerce and Economic Development to _____.

Article D-2. Renewal Amount and Term: (Not Applicable)

Article D-3. Total Amount and Term: The total amount of the Contract if renewed, shall not exceed \$ _____. [Note: Insert ASPS, project or proposal amount] and extend beyond _____.
[Note: Insert expiration date of last renewal option]

[Note: Use this if using D-5 and D-6.] The Client reserves the right to increase or decrease the Contract's initial and/or renewal amounts, so long as the aggregate Contract amount is not exceeded.

All amounts include all direct expenses, rates, fees, and any and all costs associated with the performance of this Contract.

Article D-4. Contract Minimum: There are no guaranteed minimum amounts and the specific dollar amount available in any given period shall be at the Client's discretion.

[Note: D-5, D-6 and/or D-7 may not be applicable, usually for project-by-project, depending upon the Scope of Work.]

Article D-5. Budget: If the Contractor submitted a budget, the Contractor shall abide by that budget. Budgeted amounts may be changed upon all parties mutual consent, so long as the net effect to the Contract is zero.

Article D-6. Compensation - Fee: If the Contractor submitted rates and/or fees in their proposal, the Contractor shall abide by those, and are the rates that shall be used throughout the entire contract period; Those rates and/or fees are:

<u>Name and/or Title</u>	<u>[Note: Insert Hourly or Daily] Fee</u>
Person A	\$00.00
Person B	\$00.00
Person C	\$00.00

Article D-7. Compensation - Direct Expenses: [Note: Delete this section if direct expenses are not to be reimbursed.] If the Contractor submitted a budget identifying direct expenses, the Client shall reimburse the Contractor for reasonable direct expenses; The Contractor and the Client mutually agree that the direct expenses listed below shall be reimbursable. An administrative increase of direct expenses is not allowable. Any discounts received by the Contractor shall be passed on to the Client. Examples of direct expenses are:

Contractor's Name _____
Request for Proposal _____

Contractor's Initials (Optional) _____
Client's Initials (Optional) _____
Attachment 5

**Department of Commerce and Economic Development
Professional Services Contract**

Appendix D - Financial Considerations (continued)

[Note: List expenses.]

Article D-8. Tax Identification Number: The Contractor shall provide a valid federal Employee Identification Number (EIN) or Social Security Number (SSN) to the Client prior to or upon approval of the Contract. The Client shall withhold payment until a valid federal tax identification number is received and failure to provide one may result in Contract cancellation.

Article D-9. Submission of Invoices: The Contractor shall submit an invoice to the Client to the address identified on the Standard Agreement Form, Item 10, on a **[Note: Insert weekly or monthly or whatever]** basis. Invoices shall itemize **[Note: Delete the next reference to direct expenses if not allowed in D-7.]** direct expenses, including supporting documentation; and identify each individual, hours spent by each individual, and the billing rate and/or fee each individual.

Article D-10. Cancellation For Lack of Funds: This Contract may be canceled at any time due to the lack of appropriated funds.

[Note: Delete D-11 if Direct Expenses will not be reimbursed. See D-7.]

Article D-11. Unallowable Expenses: The below costs are unallowable as compensation or reimbursement under this Contract:

Advertising for the promotion of the Contractor.

Bad debts, including expenses of collection.

Bidding, proposal and contract negotiation expenses.

Bonuses, commissions, similar compensation under any other name, compensation to an employee in excess of reasonable compensation, or compensation in connection with negotiating or obtaining a contract or a modification to a contract with the Client.

Contingency reserves and provisions.

Dividend provisions or payments and, in the case of sole proprietors and partners, distribution of profits.

Entertainment expenses. All entertainment expenses are disallowed without regard to the purpose. State employees are not to be entertained by the Contractor for any business or social purpose.

Fines and penalties, including assessed interest, resulting from violation of, or failure of, the Contractor to comply with federal, state, or local laws, regulations, or ordinances.

Indirect expenses, indirect rates, and/or a markup of direct expenses are not allowable or reimbursable under the contract. Indirect expenses vary, depending on the nature of the contract. Some typical examples of indirect expenses are payroll and travel for administrative personnel, office space, equipment, local telephone, and insurance.

Contractor's Name _____
Request for Proposal

Contractor's Initials (Optional) _____
Client's Initials (Optional) _____
Attachment 5

**Department of Commerce and Economic Development
Professional Services Contract**

Appendix D - Financial Considerations (continued)

Insurance premiums such as life, auto, general liability, professional liability and self-insurance reserves.

Interest, however represented, bond discounts and expenses, and costs of financing and refinancing operations.

Legal, accounting, and consulting services and related costs incurred in connection with the preparation and/or issuance of prospectuses, stock rights; organizing or reorganizing; prosecution or defense of antitrust suits, patent infringement litigation, claims of the Contractor against the State, and litigation contesting actions or proposed actions of the State against the Contractor.

Lobbying efforts.

Losses, including litigation expenses, counsel fees and settlements, on, or arising from the sale, exchange, or abandonment of capital assets, including investments; losses on other Contracts, including the Contractor's contributed portion under cost-sharing Contracts; losses in connection with price reduction to and discount purchases by employees and others from any source; losses where such losses are compensated for by insurance, or would have been compensated by insurance required by law or by this Contract but which the Contractor failed to procure or maintain through its own fault or negligence; losses resulting from willful misconduct or lack of good faith on the part of any of the Contractor's directors, corporate officers, or a supervising representative of the Contractor.

Maintenance, depreciation, and other costs incidental to the Contractor's idle or excess facilities (including machinery and equipment) other than reasonable standby facilities.

Membership in trade, business, and professional organizations.

Precontract costs.

Research and development costs.

Taxes, fees, and charges in connection with financing, refinancing, or refunding operations, including the listing of securities on exchanges; federal taxes on net income and excess profits; and special assessments on land which represent capital improvements; and taxes on accumulated funding deficiencies of, or prohibited transactions.

Travel expenses which are not pre-approved, exceed the allowable items as discussed elsewhere in this Contract, and travel for State of Alaska employees.

STATE OF ALASKA

DEPARTMENT OF COMMERCE and ECONOMIC DEVELOPMENT

CERTIFICATE OF QUALIFICATION FOR ALASKA BIDDER PREFERENCE AS 36.30.170(b)

Complete Only One of
the Following:

Request for Proposal ASPS #
99-0014

Invitation to Bid #

Business Name

Business Address

I certify under penalty of perjury that the above business qualifies for the Alaska Bidder Preference under the following conditions:

1. holds a current valid Alaska Business License (a copy must be attached);
2. submits a bid for goods, services, or construction under the name as appearing on the person's current Alaska Business License;
3. has maintained a place of business within the state staffed by the bidder or an employee of the bidder for a period of six months immediately preceding the date of the bid;
4. is incorporated or qualified to do business under the laws of the state, is a sole proprietorship, and the proprietor is a resident of the state or is a partnership, and all partners are residents of the state; and
5. if a joint venture, is composed entirely of ventures that qualify under (1) to (4) of this subsection.

Federal Employer Identification Number (EIN) OR
Social Security Number (SSN)

Alaska Business License Number and
Expiration Date

Authorized Signature(s)

Printed Name

This Certificate must be included in your bid or proposal to be considered for the preference.

NOTICE OF INTENT TO AWARD

1. Name of Program, Project, or Service (Use RFP Title)		2. Date Issued
3. Authority Number(s)	4. Name of Procurement Officer	
This is notice of the State's intent to award a contract. The offeror, identified here as the apparent successful offeror, is instructed not to proceed until a signed contract or other written notice of award is received from the State. A firm or person who proceeds prior to receiving a signed contract or other written notice of award does so at their own risk. AS 36.30.365. An offeror who wishes to protest this Notice of Intent must file a protest within ten (10) calendar days following the date this notice is issued. If the tenth day falls on a weekend or holiday, the last day of the protest period is the first working day following the tenth day. The protest shall be filed with the procurement officer in writing and include the following information: (1) the name, address, and telephone number of the protester; (2) the signature of the protester or the protester's representative; (3) identification of the contracting agency and the solicitation or contract at issue; (4) a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents; and (5) the form of relief requested (AS 36.30.560 and AS 36.30.565).		
5. Name and Address of Apparent Successful Offeror		
6. Names and Addresses of All Other Respondents (in alphabetical order)		

NOTICE OF INTENT TO AWARD ENTRY DEFINITIONS

1. The name of the project, program, or service.
2. The issue date (issue date of form to all respondents).
3. The Authority to Seek Professional Services (ASPS) number assigned by the Department of Administration (DOA) for procurements over \$25,000.
4. Name of procurement officer. The person responsible for contractor selection. If there are appeals they should be addressed to this person.
5. Apparent successful offeror(s).
6. All other respondent's names.

CS FOR HOUSE CONCURRENT RESOLUTION NO. 34(L&C) am
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Amended: 4/27/98

Offered: 4/9/98

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

A RESOLUTION

1 Establishing a Joint Committee on Electric Utility Restructuring.

2 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 WHEREAS electricity is among modern society's most basic requirements and
4 commodities; and

5 WHEREAS even other forms of infrastructure, such as water and waste water systems,
6 are largely dependent on electricity; and

7 WHEREAS the provision of adequate, reliable, and reasonably priced electrical energy
8 is essential to the daily functions, safety, and economic well-being of Alaskans, their local
9 communities, and the state; and

10 WHEREAS fundamental restructuring of the electric utility industry is now under
11 deliberation by the Congress and other states; and

12 WHEREAS electric utility restructuring is a highly complex issue, carrying with it
13 profound implications for all classes of electrical consumers; and

14 WHEREAS the implications and ramifications of such restructuring deserve detailed,
15 careful, and informed decision making by the Alaska State Legislature;

16 BE IT RESOLVED by the Alaska State Legislature that a Joint Committee on Electric
17 Utility Restructuring is established; and be it

1 **FURTHER RESOLVED** that the Speaker of the House of Representatives and the
2 President of the Senate shall determine an equal number of members of the House of
3 Representatives and of the Senate to serve on the joint committee, and that the Speaker of the
4 House of Representatives shall appoint the representatives to the committee and that the
5 President of the Senate shall appoint the senators to the committee; and be it

6 **FURTHER RESOLVED** that the presiding officer of each body shall apportion
7 minority members to the joint committee as provided in Rule 1(e), Uniform Rules of the
8 Alaska State Legislature, for standing committees; and be it

9 **FURTHER RESOLVED** that the joint committee may meet during and after the
10 Second Session of the Twentieth Alaska State Legislature and is terminated on the convening
11 of the First Session of the Twenty-First Alaska State Legislature; and be it

12 **FURTHER RESOLVED** that the joint committee shall provide to the legislature
13 written recommendations on whether and how to implement electric utility restructuring in
14 Alaska.

Guidelines Suggested by
Joint Committee on Electric Utilities Restructuring
for a Study
On Electric Utility Restructuring in Alaska

Note: This information is given as background information to the RFP and is for informational purposes only. This document is not part of the scope of work.

Background of Consultant:

Extensive experience with electric utility restructuring (international, national or state)
Engineering and economic capability
Balanced on issue of electric utility restructuring
Availability during study and reporting period
If not an Alaskan business, willing to partner with Alaskan businesses
Licensed to do business in Alaska

Scope of Study:

The main question addressed is the risk/reward and cost/benefit of wholesale and/or retail competition in the electric utility industry in Alaska. Initial emphasis of resources should be on the Alaska Railbelt.

Issues/Scenarios to be Addressed:

ALASKA

- Assess Alaska's unique situation regarding transmission grid.
- Assess competition potential on wholesale and retail level.
- Review nature of ownership of Alaska utilities with the public owning nearly all of the utilities either on a cooperative member basis or a municipally-owned basis - and its impact on restructuring.
- From restructuring experience in other jurisdictions, assess possible results of restructuring in Alaska.
- Assess impact and benefits that may accrue as result of restructuring, including changes that may eliminate or decrease the State subsidy provided under the Power Cost Equalization program.
- Assess State's exposure on Four-Dam Pool and other power generation and transmission lines, and contractual obligations State has to these projects.

STRANDED INVESTMENTS

- Identify investments that may be stranded by competition and how these costs should be recovered.
- Assess impact of State's ownership and financing of major transmission facilities and whether that ownership and financing impacts possible stranded investments.
- Assess the impacts on existing gas supply contracts and wholesale power contracts in a competitive wholesale market.

RELIABILITY SAFETY

- Assess how to preserve reliability and safety under competition scenarios.
- Assess handling of peak loads (particularly in the winter) and how these loads would be serviced under competition.
- Assess spinning reserves and standby capacities in current and any restructured system.

AFFORDABILITY

- Assess low-income protection, universal service provisions, including provider of last resort, obligation to serve, and how these should be structured: e.g., telecommunications within Alaska is required to provide universal service.
- Define and assess potential problems related to cherry picking.
- Assess potential for mergers and acquisitions, and consolidation of various market segments (winding up with one major player in the area).

PILOT PROGRAM

- Assess whether one would work in Alaska, or in specific areas of Alaska.
- Suggest structure for acquisition of meaningful data.

CONSUMER EDUCATION

- Assess the issue of how to educate consumers under any restructuring plan and the anticipated cost of such a program.

FINANCIAL ISSUES

- Bonds: Assess any potential restructuring problems with tax-free and municipal bonds and/or outstanding federal loans.
- Taxes: Assess tax implications facing local and/or state government.
- Costs to government: Assess anticipated costs of instituting restructuring on state and local governments.
- Consumers: Assess potential bottom line for consumers. What percent of eventual savings to consumers will result from each of the options.
- Wholesale contracts: Assess how to deal with current long-term power purchase contracts; identify measures to ensure a level playing field.
- Reliability: Assess cost of maintaining spinning reserves and standby capacity and how payment for these systems should be addressed.
- Stability: Assess potential and impact of power suppliers/brokers financial insolvency or quitting the marketplace.

ALASKA LEGISLATURE

- Outline policy issues, possible statutory changes the Legislature may need to address.

ALASKA PUBLIC UTILITIES COMMISSION (APUC)

- Assess role of APUC in restructuring.
- Outline what regulatory measures the agency may need to address (e.g., transitional issues)

- Assess whether statutory changes are required to provide oversight of market players. i.e., currently power marketers may not be required to be certificated or registered with the APUC.

OTHER

- Incorporate, but not duplicate the work products from APUC Docket U-97-140, specifically the Black & Veatch study.
- When reviewing the existing system, consider that more than one competition scheme may be appropriate within the entire state.
- Look at whether or not the existing regulatory scheme is adequate to address any suggested direction for each market segment; if inadequate, identify regulatory oversight needed after restructuring.
- Look at how to make performance-based regulations.
- For each scenario assess the impact new technology has had, does have and could have on electrical systems.
- Discuss implied vs. explicit ratepayer subsidies: What are they? How are they impacted by restructuring?