

SB

143

SENATE COMMITTEE REPORT

DATE: 3/22/10

FURTHER: Finance

DATE TURNED
IN TO OFFICE: _____

Resources Committee considered SENATE BILL NO. 143

SB 143 RAILBELT ENERGY & TRANSMISSION CORP.

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

and recommends:

- be replaced with SCS or CS SB 143 (RES)
- adopt previous SCS or CS _____ ()
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
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HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____


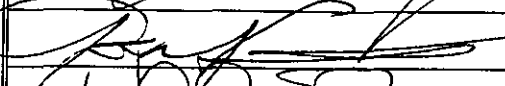
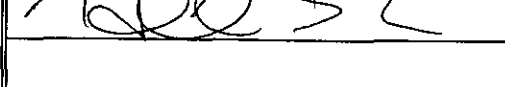
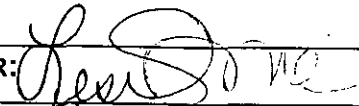

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCCED		✓			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Huggins			✓	
	Starob			✓	
	French			✓	
CO-CHAIR: 	Moore	✓			
CO-CHAIR: 	Willechowksi	✓			

CS FOR SENATE BILL NO. 143(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 **"An Act authorizing the organization of the Greater Railbelt Energy and Transmission**
2 **Corporation; relating to energy and transmission corporations, and to the Alaska**
3 **Energy Authority's contracting with energy and transmission corporations to operate a**
4 **power project; and providing for an effective date."**

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

6 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
7 to read:

8 **LEGISLATIVE INTENT.** It is the intent of the legislature that an energy and
9 transmission corporation authorized under this Act shall be regulated by the Regulatory
10 Commission of Alaska. The legislature intends to review the regulation of energy and
11 transmission corporations by the Regulatory Commission of Alaska five years after the
12 formation of an energy and transmission corporation under this Act to evaluate whether
13 continued regulation by the Regulatory Commission of Alaska is appropriate.

14 *** Sec. 2.** AS 42 is amended by adding a new chapter to read:

1 **Chapter 50. Energy and Transmission Corporations.**

2 **Sec. 42.50.010. Energy and transmission corporations.** (a) Four or more
3 municipal or cooperative public utilities with electrically interconnected service
4 territories may, if first authorized by law, organize an energy and transmission
5 corporation

6 (1) to acquire, operate, or maintain power and transmission projects
7 acquired or constructed as part of the former energy program for the state and owned
8 by the Alaska Energy Authority under AS 44.83.396; and

9 (2) to plan for, recommend, coordinate, and otherwise address power
10 generation and transmission for the electrically interconnected service territories as
11 provided in this chapter.

12 (b) The purposes of the corporation are

13 (1) to ensure adequate, reliable, safe, and stable wholesale electric
14 power to public utility members without undue discrimination, at the lowest
15 reasonable long-term cost; and

16 (2) to be the primary recipient of state financial assistance provided to
17 support the acquisition, construction, or development of generation and transmission
18 assets and ancillary services and assets for the public utility members of the
19 corporation.

20 (c) In furtherance of the purposes of the corporation, the corporation may plan
21 for, recommend, coordinate, and otherwise address

22 (1) the adequacy of fuel supply, fuel storage, and fuel transportation
23 resources required to meet the short-term and long-term electric power needs of the
24 service territory of the corporation;

25 (2) the adequacy of generation and transmission assets to prudently
26 meet local and regional short-term and long-term electric power and reliability needs
27 of the areas electrically interconnected to the service territory of the corporation;

28 (3) generation reserves to meet planning and operational requirements;

29 (4) base load generation in all parts of the service territory of the
30 corporation;

31 (5) generation and transmission power dispatch resources, including

1 the ability to connect dispatch resources of the public utility members;

2 (6) diversity in generation resources;

3 (7) renewable-energy-based generation resources;

4 (8) integration of renewable energy generation resources.

5 (d) The corporation shall operate on a nonprofit basis, offering its services
6 based on uniform rates for like services under standard tariffs or contractual
7 arrangements.

8 (e) The corporation has a separate and independent existence from the state.
9 The corporation may not be considered the state, a state agency, an administrative unit
10 of the executive branch of state government, a governmental unit of the state, a public
11 corporation of the state, a municipal corporation, or a political subdivision of the state.

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

14 (g) The corporation is authorized to interconnect with and provide services to
15 electric utilities other than public utility members on terms and conditions approved
16 by the corporation's board of directors. The corporation may decline to interconnect
17 with an electric utility or any other entity that fails to meet standards for
18 interconnection adopted by the corporation.

19 **Sec. 42.50.020. Board of directors.** (a) The corporation shall be governed by a
20 board of directors consisting of

21 (1) two directors from each public utility members, one of whom shall
22 be the chief executive officer of the public utility member or the chief executive
23 officer's designee and one of whom shall be an individual appointed by the governing
24 body of the public utility member; and

25 (2) one public director appointed by the governor from a list of at least
26 three persons submitted by the directors appointed under (a)(1) of this section; if the
27 governor rejects an entire list, the directors appointed under (a)(1) of this section shall
28 submit a new list that includes at least three persons who were not included on a
29 previously rejected list.

30 (b) The term of a director representing a public utility member under (a)(1) of
31 this section expires when the public utility member notifies the board that the

1 individual has been removed as a representative of the utility on the board.

2 (c) The term of the director appointed by the governor under (a)(2) of this
3 section is four years. If a vacancy occurs, the governor shall appoint a director under
4 (a)(2) of this section to serve the remaining term of the director. The governor may
5 reappoint the director described in this subsection.

6 (d) The board may only remove a director for cause on two-thirds majority
7 vote of the full board. The bylaws must provide a mechanism for a public utility
8 member to appoint an alternative member if the chief executive officer of the utility is
9 removed from the board.

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

12 (f) The directors shall annually elect from among the directors on the board a
13 chair and vice-chair and other board officers as may be provided in the bylaws.

14 (g) Directors may not receive a salary, but the corporation may pay directors a
15 meeting fee, per diem, and travel expenses.

16 **Sec. 42.50.030. Board meetings; exceptions.** (a) A meeting of the board may
17 be attended by members of the corporation, ratepayers, and the public. The bylaws
18 must provide for participation of members and ratepayers at board meetings. Except
19 when a voice vote is authorized, a vote shall be conducted in a manner that the
20 members and ratepayers may know the vote of each director entitled to vote. The
21 board may conduct a meeting by teleconference or similar communications equipment
22 if the board gives reasonable notice of the meeting and if the members, ratepayers, and
23 public are able to attend the meeting and hear the meeting. This subsection applies
24 only to a meeting at which a quorum is present.

25 (b) The board may hold an executive session to discuss matters that come
26 within the exceptions contained in (c) of this section on a majority vote of the board.
27 Before holding an executive session, the board must first be convened as a regular or
28 special meeting. A subject that is not mentioned in the motion calling for the executive
29 session may not be considered at the executive session unless the subject is auxiliary
30 to the main question. Formal action may not be taken during an executive session.

31 (c) The following matters may be discussed in an executive session:

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

3 (2) matters that tend to prejudice the reputation and character of a
4 person; however, the person may request a public discussion;

5 (3) matters discussed with an attorney for the corporation, the
6 knowledge of which could have an adverse effect on the legal position of the
7 corporation;

8 (4) matters that are required by law to be confidential;

9 (5) matters pertaining to a plan, a program, or procedures for
10 establishing, maintaining, or restoring security, or to a detailed description or
11 evaluation of systems, facilities, or infrastructure of the corporation, but only to the
12 extent that the discussion of the matter in open session

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

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

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

21 (d) The board shall give notice for all regular or special meetings of the board
22 as provided in the bylaws.

23 **Sec. 42.50.040. Officers and employees.** (a) The board shall appoint a chief
24 executive officer. The chief executive officer may not be a director and serves at the
25 pleasure of the board.

26 (b) The board shall appoint officers as required by the bylaws and as the board
27 determines to be necessary for the effective operation of the corporation.

28 (c) The chief executive officer may hire employees of the corporation as
29 necessary for the efficient performance of the functions of the corporation. The board
30 shall approve the range of compensation for employees. Employees of the corporation
31 are not employees of the state and are not considered to be employees of a public

1 organization for the purposes of AS 39.

2 (d) An employee of the corporation may not be a director.

3 **Sec. 42.50.050. Membership.** (a) The members of the corporation are the
4 public utility members and other entities that purchase services from the corporation
5 that the board of directors approves to become members. The corporation may provide
6 member benefits solely to the members of the corporation.

7 (b) An entity that meets the qualifications of a public utility member under
8 this subsection shall become a public utility member of the corporation if approved by
9 a two-thirds majority vote of the board. A public utility member

10 (1) shall be a municipal or cooperative electric utility with a designated
11 electric distribution service territory, holding a certificate of public convenience and
12 necessity issued by the Regulatory Commission of Alaska;

13 (2) shall be electrically interconnected to the service territory of the
14 corporation; and

15 (3) may not be an affiliated electric utility.

16 (c) An affiliated electric utility may become a member of the corporation if
17 approved by the board of directors.

18 (d) A member, including a public utility member, may withdraw from the
19 corporation if the member

20 (1) pays or provides for the payment of all liabilities owed to the
21 corporation;

22 (2) demonstrates that the withdrawal will not have adverse tax
23 consequences to the corporation; and

24 (3) gives not less than six months' notice to the corporation.

25 (e) Withdrawal from the corporation does not affect a right or obligation in an
26 agreement between a withdrawing public utility member and the corporation. The
27 corporation shall hold equity contributed by a withdrawing public utility member to
28 the corporation for the account of the withdrawing public utility member and refunded
29 only in accordance with a long-range financial management plan adopted by the
30 board.

31 (f) A public utility member may withdraw from being a public utility member

1 of the corporation but remain a member of the corporation if the public utility member

2 (1) demonstrates that the withdrawal will not have adverse tax
3 consequences to the corporation; and

4 (2) gives not less than six months' notice to the corporation.

5 (g) When a public utility member gives a notice of withdrawal, the public
6 utility member loses the right to have a director on the board.

7 **Sec. 42.50.060. Articles of incorporation; change in location of principal**
8 **office.** (a) The articles of incorporation and amended articles of incorporation of a
9 corporation must recite that they are executed under this chapter and must state

10 (1) the name of the corporation;

11 (2) the address of the principal office of the corporation;

12 (3) the names and the addresses of the incorporators;

13 (4) the names and addresses of the directors.

14 (b) The articles may contain any provisions consistent with this chapter that
15 are considered necessary or advisable for the conduct of the business of the
16 corporation. The articles shall be signed and acknowledged on behalf of each initial
17 public utility member of the corporation. It is not necessary to recite in the articles of
18 incorporation the purpose for which the corporation is organized or the corporate
19 powers of the corporation.

20 (c) Articles of incorporation, and amended articles of incorporation, shall be
21 submitted to the commissioner for filing. Upon a finding that the articles conform to
22 the requirements of this chapter, and upon payment of the fees provided in
23 AS 10.25.530, the commissioner shall file the articles in the records of the
24 commissioner's office.

25 (d) A corporation may, upon authorization of its board of directors, change the
26 location of its principal office by filing a certificate reciting the change of principal
27 office, executed and acknowledged by its presiding officer under its seal, attested by
28 the officer designated by the board, in the office of the commissioner.

29 **Sec. 42.50.070. Bylaws.** (a) The board shall adopt bylaws for the corporation
30 for the governance and management of the affairs of the corporation. The board may
31 alter, amend, or repeal the bylaws.

1 (b) The bylaws must be consistent with this chapter and the articles of
2 incorporation.

3 (c) The bylaws must set out conditions that require the corporation to offer
4 public utility members an opportunity to serve an industrial customer before the
5 corporation may serve an industrial customer.

6 (d) The bylaws must include provisions governing financing arrangements
7 under AS 42.50.150 that include obligations exceeding 12 months.

8 **Sec. 42.50.080. Indemnification of directors, officers, and employees.** The
9 corporation shall indemnify directors, officers, and employees in a manner consistent
10 with AS 10.06.490.

11 **Sec. 42.50.090. General powers of the corporation.** (a) To fulfill the
12 purposes described in AS 42.50.010, the corporation may

13 (1) sue and be sued in its name;

14 (2) have perpetual existence;

15 (3) adopt and alter a corporate seal;

16 (4) participate with federal, state, and local governmental entities in
17 formulating and implementing policies relating to electric power, and in planning for
18 the development, construction, and operation of adequate electric power generation
19 and transmission facilities for the service territory of the corporation;

20 (5) accept, by grant, sale, contract, operating agreement, or any other
21 arrangement, assets from members of the corporation or other public or private
22 entities, persons, or governments;

23 (6) engage in a program to support the efforts of the public utility
24 members and affiliated electric utilities to enhance the development, efficiency,
25 reliability, safety, and price stability of electric power in the service territory of the
26 corporation;

27 (7) generate, manufacture, purchase, acquire, accumulate, transmit,
28 meter, and dispatch wholesale electric power and ancillary services, and sell at
29 wholesale, supply, and dispose of electric power to public utility members, members,
30 affiliated electric utilities, and other entities;

31 (8) generate, manufacture, purchase, acquire, accumulate, transmit,

1 meter, and dispatch retail electric power and ancillary services to an industrial
2 customer, and sell at retail, supply, and dispose of electric power to an industrial
3 customer

4 (A) not located in the certificated service territory of a public
5 utility providing electric service, under conditions established in the bylaws; or

6 (B) located in the certificated service territory of a public utility
7 providing electric service if the public utility gives its written consent before
8 the corporation enters an agreement to sell power to the industrial customer;

9 (9) procure fuel supplies, fuel storage capacity, and fuel transmission
10 resources;

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

16 (11) buy, lease, use, or acquire franchises, rights, privileges, licenses,
17 permits, and easements;

18 (12) sell, assign, convey, mortgage, pledge, exercise, or dispose of or
19 encumber franchises, rights or privileges, licenses, permits, and easements;

20 (13) borrow money, contract indebtedness, issue evidences of
21 indebtedness, and secure payment of indebtedness by mortgage, pledge, deed of trust,
22 or other encumbrance on its real or personal property, assets, franchises, or revenue;

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

26 (15) exercise the power of eminent domain as a public utility under
27 AS 42.05.631, except the corporation may not exercise the power of eminent domain
28 to take an electric power generation or transmission asset from a public utility;

29 (16) acquire by purchase, lease, bequest, devise, gift, exchange, the
30 satisfaction of debts, the foreclosure of mortgages, or otherwise, personal property,
31 rights, rights-of-way, franchises, easements, and other interests in land, and acquire by

1 appropriation water rights that are located in the state, taking title to the property in the
2 name of the corporation;

3 (17) hold, maintain, use, operate, improve, lease, exchange, donate,
4 convey, alienate, encumber, or otherwise grant a security interest in, or authorize use
5 or dispose of, land or personal property, subject to other provisions of this chapter;

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

9 (19) undertake and provide for the management, operation,
10 maintenance, use, repair, renovation, and control of all of the property of the
11 corporation;

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

16 (21) enter into agreements with the state or a state agency or other
17 instrumentality of the state;

18 (22) make all contracts necessary, convenient, or appropriate for the
19 full exercise of its powers;

20 (23) conduct its business and exercise its powers inside or outside the
21 state;

22 (24) develop operating standards applicable to all public utilities
23 electrically interconnected to the service territory of the corporation;

24 (25) do or perform any other act and thing and have and exercise any
25 other power that may be necessary, convenient, or appropriate to accomplish the
26 corporation's purposes; and

27 (26) create subsidiary corporations.

28 (b) The corporation may not require its members to enter into power purchase
29 agreements that restrict the ability of members to enter into bilateral power purchase
30 or wheeling agreements among themselves, except as a condition for participation in
31 specific new generation or transmission projects when the condition is reasonably

1 necessary in order for the corporation to finance the project.

2 **Sec. 42.50.100. Public utility powers and regulation.** The corporation shall
3 have all of the powers and duties of a regulated electric public utility under AS 42.05,
4 except that the corporation

5 (1) may not make retail sales of electric power except to an industrial
6 customer under AS 42.50.090(a)(8);

7 (2) is not required to obtain a certificate under AS 42.05.221.

8 **Sec. 42.50.110. Integrated resource plan.** (a) The corporation shall adopt an
9 integrated resource plan for use with a long-range fuel supply plan under
10 AS 42.50.120 to determine the need for and selection of electric generation and
11 transmission projects to ensure delivery of safe and reliable electric power to public
12 utility members at the lowest reasonable long-term cost. The corporation shall
13 evaluate and consider recommendations made in an applicable state energy plan or
14 state integrated resource plan before in adopting and updating the plan. If the
15 corporation's integrated resource plan deviates from other state energy or resource
16 plans, the corporation's plan must include a report explaining the reasons for the
17 deviation.

18 (b) The board shall establish a schedule for review of the integrated resource
19 plan and update the plan at least once every five years.

20 (c) The corporation shall make the integrated resource plan available on the
21 Internet to members, the governor, the legislature, and ratepayers.

22 **Sec. 42.50.120. Long-range fuel supply plan.** (a) The corporation shall adopt
23 a long-range fuel supply plan to determine the need for and selection of fuel supplies
24 to be used by electric generation projects to ensure delivery of safe, reliable, and
25 sustainable electric power to public utility members at the lowest reasonable long-term
26 cost. The corporation shall evaluate recommendations made in any applicable state
27 energy plan or state integrated resource plan before adopting and updating the long-
28 range fuel supply plan. If the corporation deviates from recommendations in a state
29 plan, the adopted or updated long-range fuel supply plan shall include a report
30 explaining the reasons for the deviation.

31 (b) The board shall establish a schedule for review of the long-range fuel

1 supply plan and update the plan at least once every five years.

2 (c) The corporation shall make the long-range fuel supply plan available on
3 the Internet to members, the governor, the legislature, and ratepayers.

4 **Sec. 42.50.130. Long-range capital improvement plan.** (a) The corporation
5 shall adopt a long-range capital improvement plan. The plan must describe how the
6 corporation intends to accomplish the corporation's purposes and identify anticipated
7 capital improvements planned during each of the following 10 years. The plan must be
8 based on the principle of providing safe, reliable, and sustainable electric power to
9 public utility members at the lowest reasonable long-term cost.

10 (b) The board shall establish a schedule for review of the long-range capital
11 improvement plan and update the plan at least once every five years.

12 (c) The corporation shall make the long-range capital improvement plan
13 available on the Internet to members, the governor, the legislature, and ratepayers.

14 **Sec. 42.50.140. Long-range financial management plan.** (a) The corporation
15 shall adopt a long-range financial management plan. The plan must describe the
16 manner in which the corporation intends to accomplish the corporation's purposes and
17 the corporation's plans for acquisition, accumulation, and issuance of equity and debt
18 for the next 10 years. The plan shall be based on the principle of providing safe,
19 reliable, and sustainable electric power to public utility members at the lowest
20 reasonable long-term cost.

21 (b) The board shall establish a schedule for review and update the long-range
22 financial management plan at least once every five years.

23 (c) The corporation shall make the long-range financial management plan
24 available on the Internet to members, the governor, the legislature, and ratepayers.

25 **Sec. 42.50.150. Financing arrangements.** (a) The corporation may

26 (1) use any financing arrangements permitted by law in achieving the
27 purposes and objectives of the corporation; and

28 (2) develop financing arrangements for individual projects.

29 (b) The corporation may obtain assistance from state agencies with financing
30 projects through direct grants, debt guarantees, granting of a moral obligation of the
31 state to ensure payment of debt instruments, purchase of issued debt instruments, or

1 other financial methods appropriate to the projects or tasks.

2 **Sec. 42.50.160. Fuel supplies.** (a) The corporation may acquire long-term fuel
3 supplies as required to ensure electric power generation facilities can operate without
4 fuel-related interruption, including direct ownership of transportation and storage
5 facilities as required to fulfill the purposes of the corporation under AS 42.50.010(b).

6 (b) The corporation may acquire long-term fuel supplies under this section in
7 conjunction with other entities that are acquiring long-term fuel supplies for any
8 lawful purpose in any lawful manner.

9 **Sec. 42.50.170. Tax exemption.** The real and personal property of the
10 corporation and the assets, income, and receipts of the corporation are exempt from all
11 taxes and assessments of the state or a political subdivision of the state, except that
12 electricity sold at retail by the corporation is subject to the electric cooperative tax
13 under AS 10.25.540 – 10.25.570.

14 **Sec. 42.50.180. Reports and publications.** The board shall publish an annual
15 report on the Internet. The report must include financial statements audited by
16 independent auditors, a discussion of the corporation's circumstances and operations
17 during the period covered by the report, and any other information requested by the
18 legislature. The board may publish other information or reports it considers
19 appropriate.

20 **Sec. 42.50.190. Right to examine books and records.** (a) Except as provided
21 in (c) of this section, members and ratepayers may, at a reasonable time and for any
22 proper purpose, examine and make copies of the books and records of the corporation
23 at the principal office of the corporation.

24 (b) The corporation may charge a requestor an amount equal to the actual cost
25 of finding and duplicating documents requested under this section.

26 (c) The corporation may withhold books and records concerning the following
27 subjects:

- 28 (1) records required to be kept confidential by law;
- 29 (2) personnel records, to the extent that the records are not required to
30 be publicly disclosed by a state or federal agency;
- 31 (3) records that are proprietary, privileged, or a trade secret;

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

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

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

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

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

15 **Sec. 42.50.200. Audits and examinations of corporation.** The corporation
16 shall be audited annually by an independent auditor. The board shall engage the
17 auditor, who shall be responsible to the board. The corporation shall submit copies of
18 each report of the auditor to the legislature and governor within 30 days after receipt
19 of the report by the corporation.

20 **Sec. 42.50.210. Dissolution, merger, consolidation, and disposition of**
21 **assets.** Without prior legislative approval, the corporation may not

22 (1) dissolve;

23 (2) merge or consolidate; or

24 (3) dispose of corporate assets other than in the ordinary course of
25 business.

26 **Sec. 42.50.220. Procedures for dispute resolution.** The corporation shall
27 establish a dispute resolution process in its bylaws. The dispute resolution process
28 must include, at a minimum,

29 (1) a requirement that disputes be initially brought before the board for
30 resolution;

31 (2) a requirement that the parties shall attempt to resolve a dispute that

1 is not resolved by the board through mediation;

2 (3) a requirement that the corporation and the disputing party shall
3 attempt to resolve a dispute that is not resolved by the board and is not resolved
4 through mediation through binding arbitration if allowed by the bylaws of the
5 corporation; and

6 (4) if not resolved by the board, through mediation, or through binding
7 arbitration, if allowed, a provision for resolution of the dispute through litigation in a
8 court of competent jurisdiction.

9 **Sec. 42.50.900. Definitions.** In this chapter, unless the context otherwise
10 requires,

11 (1) "affiliated electric utility" means an electric utility that is wholly
12 owned by one or more public utility members and by or through which one or more
13 public utility members obtain electric power or electric generation or transmission
14 services;

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

16 (3) "commissioner" means the commissioner of commerce,
17 community, and economic development;

18 (4) "cooperative" means an entity organized under AS 10.25;

19 (5) "corporation" means an energy and transmission corporation
20 organized under this chapter;

21 (6) "electrically interconnected" means interconnected at a minimum
22 transmission level of 69 kilovolts;

23 (7) "electric power" means electric energy and capacity;

24 (8) "electric utility" means a public utility, as defined in AS 42.05.990
25 that furnishes electrical generation, transmission, or distribution service;

26 (9) "member" means a member of the corporation under AS 42.50.050,
27 including public utility members;

28 (10) "public utility member" means a municipal or cooperative electric
29 utility that has an electric distribution service territory, that holds a certificate of public
30 convenience and necessity issued by the Regulatory Commission of Alaska, that is one
31 of the electric utilities that organizes an energy and transmission corporation or that

1 becomes a public utility member of the corporation under AS 42.50.050(b), and that
2 does not withdraw from being a member or public utility member under
3 AS 42.50.050(d) or (e);

4 (11) "ratepayers" means the ratepayers of the public utility members of
5 the corporation;

6 (12) "service territory of the corporation" means the combined service
7 territories identified in the certificates of public convenience and necessity issued by
8 the Regulatory Commission of Alaska for each of the public utility members of the
9 corporation.

10 * Sec. 3. AS 44.83.396(c) is amended to read:

11 (c) The authority shall enter into a contract or lease under reasonable terms
12 and conditions to permit the applicant utility to operate the power project when the
13 applicant utility is the only wholesale power customer to be served directly by the
14 power project, or is a corporation organized under AS 42.50.010 and one or more
15 public utility members of the corporation is a wholesale power customer to be
16 served directly by the power project, unless the authority determines the [A] utility
17 or corporation making application for a contract or lease to operate a power project is
18 not a qualified utility or is not capable of operating that power project efficiently and
19 in a manner that is consistent with national standards for the industry and with
20 agreements with bondholders.

21 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

23 AUTHORIZATION TO FORM GREATER RAILBELT ENERGY AND
24 TRANSMISSION CORPORATION. (a) Any combination of four or more of the following
25 public utilities may organize the Greater Railbelt Energy and Transmission Corporation, as an
26 energy and transmission corporation under AS 42.50:

- 27 (1) Homer Electric Association, Inc.;
- 28 (2) the City of Seward, Electric Utility Department;
- 29 (3) Chugach Electric Association, Inc.;
- 30 (4) the Municipality of Anchorage d/b/a Municipal Light and Power;
- 31 (5) Matanuska Electric Association, Inc.; and

1 (6) Golden Valley Electric Association, Inc.

2 (b) The corporation described in (a) of this section, if formed, shall conduct, under the
3 direction of the Legislative Budget and Audit Committee, a management audit of the
4 corporation to be commenced on June 30, 2013, 2016, and 2020. The management audit shall
5 be conducted under methodologies and principles set out in volumes I (1988 ed.), II (1992
6 ed.) and III (1995 ed.) of the Management Audit Manual published by the National
7 Association of Regulatory Utility Commissioners, Washington, D.C. The results of the
8 management audit shall be transmitted to the Legislative Budget and Audit Committee 180
9 days after the commencement of the audit. This obligation to conduct a management audit
10 shall be in addition to any audit obligation that may be required under an appropriation to the
11 corporation.

12 (c) This section authorizes the organization of the Greater Railbelt Energy and
13 Transmission Corporation, as required under AS 42.50.010(a), enacted by sec. 2 of this Act, if
14 the conditions in sec. 5 of this Act are met.

15 * Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 **CONDITIONAL EFFECT.** (a) Sections 2 and 3 of this Act take effect only if four or
18 more of the listed public utilities deliver to the Alaska Energy Authority before 4:30 p.m. on
19 July 30, 2010, a letter of intent in the form and substance acceptable to the Alaska Energy
20 Authority, under which the listed public utility agrees to become a public utility member of
21 the Greater Railbelt Energy and Transmission Corporation. Each listed public utility that
22 meets the conditions described in this subsection shall, effective August 16, 2010, be a public
23 utility member of the Greater Railbelt Energy and Transmission Corporation. The listed
24 public utilities are as follows:

- 25 (1) Homer Electric Association, Inc.;
- 26 (2) the City of Seward, Electric Utility Department;
- 27 (3) Chugach Electric Association, Inc.;
- 28 (4) the Municipality of Anchorage d/b/a Municipal Light and Power;
- 29 (5) Matanuska Electric Association, Inc.;
- 30 (6) Golden Valley Electric Association, Inc.

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

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

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

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

5 (2) "Greater Railbelt Energy and Transmission Corporation" means the
6 corporation organized as an energy and transmission corporation under AS 42.50, enacted by
7 sec. 2 of this Act, as authorized by sec. 4 of this Act;

8 (3) "public utility member" has the meaning given in AS 42.50.900, enacted
9 by sec. 2 of this Act.

10 * Sec. 6. If secs. 2 and 3 of this Act take effect under sec. 5(a) of this Act, they take effect
11 August 16, 2010.

12 * Sec. 7. Sections 1, 4, and 5 of this Act take effect immediately under AS 01.10.070(c).

AMENDMENT

OFFERED IN SENATE RESOURCES BY SENATOR _____

TO: SB 143 (Work Draft 26-GS1041\S)

Page 7, line 30, following "corporation"

Insert "if approved by the board of directors"

Page 22, line 10, following "6,":

Insert "11, and 13"

Delete " and 11"

Page 22, line 27, following "6,":

Insert "11, and 13"

Delete " and 11"

Page 23, line 5, following "6,":

Insert "11, and 13"

Delete " and 11"

Page 23, line 9, following "* Sec. 17.:

Insert "Section 14"

Delete "Sections 13 and"

Page 23, line 9, following "Act"

Insert "takes"

Delete "take"

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

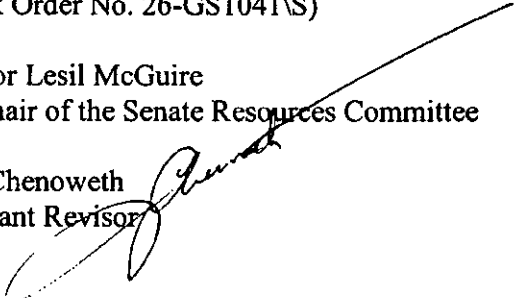
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 24, 2010

SUBJECT: Redraft of CSSB 143(ENE), generally applicable to organization of the Greater Railbelt Energy and Transmission Corporation (Work Order No. 26-GS1041\S)

TO: Senator Lesil McGuire
Co-Chair of the Senate Resources Committee

FROM: Jack Chenoweth
Assistant Revisor 

The material added, amended, and deleted in your committee's previous "E" version to produce the "S" version that accompanies this memo is drawn from nine pages transmitted from your office. After consultation with Assistant Attorney General Brian Bjorkquist, I tried to address the effective date provisions as I understand the administration would like them to operate, but can't be sure whether I'm correct. Please check these provisions -- bill sections 15 - 17 -- carefully to make sure that they will operate rationally.

This measure really only makes sense if you have a sound grasp of the interrelationship of the effective date provisions and the corresponding contingencies.

1. The authorization (bill section 13) and conditional effect (bill section 14) are keystone provisions: under bill section 15, they are to be given immediate effect.

2. Under bill section 14(a) and bill section 14(c), all of the remaining substantive provisions are made conditionally effective, that is, they will take effect only after compliance with the significant bill section 14 condition:

a. If the condition of bill section 14 is met, then the principal operating provisions of the bill -- sections 3, 6, and 11 -- are to take effect: these carry a mid-August 2010 effective date.

b. Various provisions are amended or repealed at a later date: these provisions take effect in mid-August 2015.

You and the committee and the administration should verify that the handling of the effective dates conforms to expectations.

Senator Lesil McGuire
March 24, 2010
Page 2

Look specifically at the interrelationship between the blanket exemption provided under proposed AS 42.05.711(q), added by bill section 5, and the various regulatory provisions added to AS 42.50.100(a) and (b) by bill sections 7 and 8. As set out, the provisions are arguably inconsistent as to the oversight of the proposed new corporation by the Regulatory Commission of Alaska. To the extent that they may be, you could easily cure any inconsistency by adding, at the beginning of the text of AS 42.05.711(q) (bill section 5), the words: "Except as otherwise provided in AS _____,".

*

With respect to my preparation of the draft from the notes and instructions that were provided, please note --

In AS 42.05.431(i), I substituted "may not" for "shall not" in the replacement language to be consistent with direction given in the Manual of Legislative Drafting (Manual at pp. 64 and 65, Uniform Rule 10, and AS 24.08.010).

I included the addition requested at the end of AS 42.50.050(c) (insert "under (a) of this section") but, in context, the change makes no sense. Should it say, instead, "approval under (a) of this section"?

I included the edits proposed for AS 42.50.050(f) but not at the places instructed because the instruction would have yielded an absurd outcome. Please review my handling.

The deletion of material at page 10, lines 24 - 26, of the previous "E" draft necessitated a renumbering of all paragraphs that follow paragraph (9).

The deletion of material at page 14, beginning at line 27, of the former "E" draft (all of former AS 42.50.160) and of material beginning at page 15, line 13 (all of former AS 42.50.180) necessitated a renumbering of the codified sections following through to the "definitions" section.

In former AS 42.50.170, now renumbered as AS 42.50.160, the requested deletion of subsection (b) necessitated a relettering of the next following subsections.

The material proposed to be added as bill section 8 of the material supplied appears in the accompanying draft as additions made in bill sections 9 and 10. To maintain the material consistent with its former sequence in the legislation, these sections are intercalated with codified section numbers of "AS 42.50.155" and "AS 42.50.165".

Questions? Please contact me.

JBC:ljw
10-213.ljw

Enclosure

CS FOR SENATE BILL NO. 143()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act authorizing the organization of the Greater Railbelt Energy and Transmission**
2 **Corporation; relating to energy and transmission corporations, to exemption of energy**
3 **and transmission corporations from regulation by the Regulatory Commission of Alaska**
4 **and municipalities, and to the Alaska Energy Authority's contracting with energy and**
5 **transmission corporations to operate a power project; and providing for an effective**
6 **date."**

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

8 *** Section 1. AS 29.35.070(a) is amended to read:**

9 (a) The assembly acting for the area outside all cities in the borough and the
10 council acting for the area in a city may regulate, fix, establish, and change the rates
11 and charges imposed for a utility service provided to the municipality or its inhabitants
12 by a utility that is not subject to regulation under AS 42.05 unless that utility is
13 exempted from regulation under AS 42.05.711(a), (d) - (k), (o), [OR] (p), or (q), or is

1 exempted under regulations adopted under AS 42.05.810 from complying with all or
2 part of AS 42.05.141 - 42.05.721.

3 * Sec. 2. AS 42.05.431(c) is amended to read:

4 (c) Notwithstanding (b) of this section,

5 (1) a wholesale agreement for the sale of power from a project licensed
6 by the Federal Energy Regulatory Commission on or before January 1, 1987, and
7 related contracts for the wheeling, storage, regeneration, or wholesale repurchase of
8 power purchased under the agreement, entered into between the Alaska Energy
9 Authority and one or more other public utilities or among the utilities after October 31,
10 1987, and before January 1, 1988, and amendments to the wholesale agreement or
11 related contract, [AND] the wholesale agreement or related contract assigned by the
12 Alaska Energy Authority to a joint action agency formed under AS 42.45.310 that
13 purchases the project from the Alaska Energy Authority, and a wholesale agreement
14 for the sale of power from a project owned or operated by a corporation
15 organized under AS 42.50, and related contracts for the wheeling, storage,
16 regeneration, or wholesale repurchase of power purchased under the agreement,
17 entered into between the corporation and one or more public utilities, are not
18 subject to review or approval by the commission until all long-term debt incurred for
19 the project is retired, or, for a wholesale agreement or related contract assigned to a
20 joint action agency formed under AS 42.45.310, until all long-term debt incurred to
21 pay the purchase price to the Alaska Energy Authority is retired; and

22 (2) a wholesale agreement or related contract described in (1) of this
23 subsection may contain a covenant for the public utility to establish, charge, and
24 collect rates sufficient to meet its obligations under the contract; the rate covenant is
25 valid and enforceable.

26 * Sec. 3. AS 42.05.431 is amended by adding a new subsection to read:

27 (i) When setting or reviewing rates for an energy and transmission corporation
28 organized under AS 42.50.010, the commission may not disallow from a rate base or
29 revenue requirement amounts necessary for the corporation to fund a cost reasonably
30 anticipated to become a just and reasonable cost of producing and transmitting electric
31 power, energy, or other services, including costs

COULD APPLY TO
GAS STORAGE

1 (1) for the repair, replacement, and retirement of a project owned or
2 operated by the corporation; and

3 (2) incurred to permit the corporation to build reasonably necessary
4 equity for future operations.

5 * Sec. 4. AS 42.05.711(l) is amended to read:

6 (l) A person, utility, joint action agency established under AS 42.45.310, or
7 cooperative that is exempt from regulation under (a), (d) - (k), [OR] (o) or (q), of this
8 section is not subject to regulation by a municipality under AS 29.35.060 and
9 29.35.070.

10 * Sec. 5. AS 42.05.711 is amended by adding a new subsection to read:

11 (q) A corporation organized under AS 42.50 is exempt from regulation under
12 this chapter, including the requirement to obtain a certificate of public convenience
13 and necessity under AS 42.05.221.

14 * Sec. 6. AS 42 is amended by adding a new chapter to read:

15 **Chapter 50. Energy and Transmission Corporations.**

16 **Sec. 42.50.010. Energy and transmission corporations.** (a) Four or more
17 municipal or cooperative public utilities with electrically interconnected service
18 territories may, if first authorized by law, organize an energy and transmission
19 corporation

20 (1) to acquire, operate, or maintain power and transmission projects
21 acquired or constructed as part of the former energy program for the state and owned
22 by the Alaska Energy Authority under AS 44.83.396; and

23 (2) to plan for, recommend, coordinate, and otherwise address power
24 generation and transmission for the electrically interconnected service territories as
25 provided in this chapter.

26 (b) The purposes of the corporation are

27 (1) to ensure adequate, reliable, safe, and stable wholesale electric
28 power to public utility members without undue discrimination, at the lowest
29 reasonable long-term cost; and

30 (2) to be the primary recipient of state financial assistance provided to
31 support the acquisition, construction, or development of generation and transmission

1 assets and ancillary services and assets for the public utility members of the
2 corporation.

3 (c) In furtherance of the purposes of the corporation, the corporation may plan
4 for, recommend, coordinate, and otherwise address

5 (1) the adequacy of fuel supply, fuel storage, and fuel transportation
6 resources required to meet the short-term and long-term electric power needs of the
7 service territory of the corporation;

8 (2) the adequacy of generation and transmission assets to prudently
9 meet local and regional short-term and long-term electric power and reliability needs
10 of the areas electrically interconnected to the service territory of the corporation:

11 (3) generation reserves to meet planning and operational requirements;

12 (4) base load generation in all parts of the service territory of the
13 corporation;

14 (5) generation and transmission power dispatch resources, including
15 the ability to connect dispatch resources of the public utility members;

16 (6) diversity in generation resources;

17 (7) renewable-energy-based generation resources;

18 (8) integration of renewable energy generation resources.

19 (d) The corporation shall operate on a nonprofit basis, offering its services
20 based on uniform rates for like services under standard tariffs or contractual
21 arrangements.

22 (e) The corporation has a separate and independent existence from the state.
23 The corporation may not be considered the state, a state agency, an administrative unit
24 of the executive branch of state government, a governmental unit of the state, a public
25 corporation of the state, a municipal corporation, or a political subdivision of the state.

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

28 (g) The corporation is authorized to interconnect with and provide services to
29 electric utilities other than public utility members on terms and conditions approved
30 by the corporation's board of directors. The corporation may decline to interconnect
31 with an electric utility or any other entity that fails to meet standards for

1 interconnection adopted by the corporation.

2 **Sec. 42.50.020. Board of directors.** (a) The corporation shall be governed by a
3 board of directors consisting of

4 (1) two directors from each public utility members, one of whom shall
5 be the chief executive officer of the public utility member or the chief executive
6 officer's designee and one of whom shall be an individual appointed by the governing
7 body of the public utility member; and

8 (2) one public director appointed by the governor from a list of at least
9 three persons submitted by the directors appointed under (a)(1) of this section; if the
10 governor rejects an entire list, the directors appointed under (a)(1) of this section shall
11 submit a new list that includes at least three persons who were not included on a
12 previously rejected list.

13 (b) The term of a director representing a public utility member under (a)(1) of
14 this section expires when the public utility member notifies the board that the
15 individual has been removed as a representative of the utility on the board.

16 (c) The term of the director appointed by the governor under (a)(2) of this
17 section is four years. If a vacancy occurs, the governor shall appoint a director under
18 (a)(2) of this section to serve the remaining term of the director. The governor may
19 reappoint the director described in this subsection.

20 (d) The board may only remove a director for cause on two-thirds majority
21 vote of the full board. The bylaws must provide a mechanism for a public utility
22 member to appoint an alternative member if the chief executive officer of the utility is
23 removed from the board.

24 (e) A majority of the directors on the board constitutes a quorum for the
25 transaction of business and the exercise of the powers and duties of the board.

26 (f) The directors shall annually elect from among the directors on the board a
27 chair and vice-chair and other board officers as may be provided in the bylaws.

28 (g) Directors may not receive a salary, but the corporation may pay directors a
29 meeting fee, per diem, and travel expenses.

30 **Sec. 42.50.030. Board meetings; exceptions.** (a) A meeting of the board may
31 be attended by members of the corporation, ratepayers, and the public. The bylaws

1 must provide for participation of members and ratepayers at board meetings. Except
2 when a voice vote is authorized, a vote shall be conducted in a manner that the
3 members and ratepayers may know the vote of each director entitled to vote. The
4 board may conduct a meeting by teleconference or similar communications equipment
5 if the board gives reasonable notice of the meeting and if the members, ratepayers, and
6 public are able to attend the meeting and hear the meeting. This subsection applies
7 only to a meeting at which a quorum is present.

8 (b) The board may hold an executive session to discuss matters that come
9 within the exceptions contained in (c) of this section on a majority vote of the board.
10 Before holding an executive session, the board must first be convened as a regular or
11 special meeting. A subject that is not mentioned in the motion calling for the executive
12 session may not be considered at the executive session unless the subject is auxiliary
13 to the main question. Formal action may not be taken during an executive session.

14 (c) The following matters may be discussed in an executive session:

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

17 (2) matters that tend to prejudice the reputation and character of a
18 person; however, the person may request a public discussion;

19 (3) matters discussed with an attorney for the corporation, the
20 knowledge of which could have an adverse effect on the legal position of the
21 corporation;

22 (4) matters that are required by law to be confidential;

23 (5) matters pertaining to a plan, a program, or procedures for
24 establishing, maintaining, or restoring security, or to a detailed description or
25 evaluation of systems, facilities, or infrastructure of the corporation, but only to the
26 extent that the discussion of the matter in open session

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

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

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

4 (d) The board shall give notice for all regular or special meetings of the board
5 as provided in the bylaws.

6 **Sec. 42.50.040. Officers and employees.** (a) The board shall appoint a chief
7 executive officer. The chief executive officer may not be a director and serves at the
8 pleasure of the board.

9 (b) The board shall appoint officers as required by the bylaws and as the board
10 determines to be necessary for the effective operation of the corporation.

11 (c) The chief executive officer may hire employees of the corporation as
12 necessary for the efficient performance of the functions of the corporation. The board
13 shall approve the range of compensation for employees. Employees of the corporation
14 are not employees of the state and are not considered to be employees of a public
15 organization for the purposes of AS 39.

16 (d) An employee of the corporation may not be a director.

17 **Sec. 42.50.050. Membership.** (a) The members of the corporation are the
18 public utility members and other entities that purchase services from the corporation
19 that the board of directors approves to become members. The corporation may provide
20 member benefits solely to the members of the corporation.

21 (b) An entity that meets the qualifications of a public utility member under
22 this subsection shall become a public utility member of the corporation if approved by
23 a two-thirds majority vote of the board. A public utility member

24 (1) shall be a municipal or cooperative electric utility with a designated
25 electric distribution service territory, holding a certificate of public convenience and
26 necessity issued by the Regulatory Commission of Alaska;

27 (2) shall be electrically interconnected to the service territory of the
28 corporation; and

29 (3) may not be an affiliated electric utility.

30 (c) An affiliated electric utility may become a member of the corporation
31 under (a) of this section.

1 (d) A member, including a public utility member, may withdraw from the
2 corporation if the member

3 (1) pays or provides for the payment of all liabilities owed to the
4 corporation;

5 (2) demonstrates that the withdrawal will not have adverse tax
6 consequences to the corporation; and

7 (3) gives not less than six months' notice to the corporation.

8 (e) Withdrawal from the corporation does not affect a right or obligation in an
9 agreement between a withdrawing public utility member and the corporation. The
10 corporation shall hold equity contributed by a withdrawing public utility member to
11 the corporation for the account of the withdrawing public utility member and refunded
12 only in accordance with a long-range financial management plan adopted by the
13 board.

14 (f) A public utility member may withdraw from being a public utility member
15 of the corporation but remain a member of the corporation if the public utility member

16 (1) demonstrates that the withdrawal will not have adverse tax
17 consequences to the corporation; and

18 (2) gives not less than six months' notice to the corporation.

19 (g) When a public utility member gives a notice of withdrawal, the public
20 utility member loses the right to have a director on the board.

21 **Sec. 42.50.060. Articles of incorporation; change in location of principal**
22 **office.** (a) The articles of incorporation, and amended articles of incorporation, of a
23 corporation must recite that they are executed under this chapter and must state

24 (1) the name of the corporation;

25 (2) the address of the principal office of the corporation;

26 (3) the names and the addresses of the incorporators;

27 (4) the names and addresses of the directors.

28 (b) The articles may contain any provisions consistent with this chapter that
29 are considered necessary or advisable for the conduct of the business of the
30 corporation. The articles shall be signed and acknowledged on behalf of each initial
31 public utility member of the corporation. It is not necessary to recite in the articles of

1 incorporation the purpose for which the corporation is organized or the corporate
2 powers of the corporation.

3 (c) Articles of incorporation, and amended articles of incorporation, shall be
4 submitted to the commissioner for filing. Upon a finding that the articles conform to
5 the requirements of this chapter, and upon payment of the fees provided in
6 AS 10.25.530, the commissioner shall file the articles in the records of the
7 commissioner's office.

8 (d) A corporation may, upon authorization of its board of directors, change the
9 location of its principal office by filing a certificate reciting the change of principal
10 office, executed and acknowledged by its presiding officer under its seal, attested by
11 the officer designated by the board, in the office of the commissioner.

12 **Sec. 42.50.070. Bylaws.** (a) The board shall adopt bylaws for the corporation
13 for the governance and management of the affairs of the corporation. The board may
14 alter, amend, or repeal the bylaws.

15 (b) The bylaws must be consistent with this chapter and the articles of
16 incorporation.

17 (c) The bylaws must set out conditions that require the corporation to offer
18 public utility members an opportunity to serve an industrial customer before the
19 corporation may serve an industrial customer.

20 (d) The bylaws must include provisions governing financing arrangements
21 under AS 42.50.150 that include obligations exceeding 12 months.

22 **Sec. 42.50.080. Indemnification of directors, officers, and employees.** The
23 corporation shall indemnify directors, officers, and employees in a manner consistent
24 with AS 10.06.490.

25 **Sec. 42.50.090. General powers of the corporation.** (a) The corporation may
26 (1) sue and be sued in its name;
27 (2) have perpetual existence;
28 (3) adopt and alter a corporate seal;
29 (4) participate with federal, state, and local governmental entities in
30 formulating and implementing policies relating to electric power, and in planning for
31 the development, construction, and operation of adequate electric power generation

1 and transmission facilities for the service territory of the corporation;

2 (5) accept, by grant, sale, contract, operating agreement, or any other
3 arrangement, assets from members of the corporation or other public or private
4 entities, persons, or governments;

5 (6) engage in a program to support the efforts of the public utility
6 members and affiliated electric utilities to enhance the development, efficiency,
7 reliability, safety, and price stability of electric power in the service territory of the
8 corporation;

9 (7) generate, manufacture, purchase, acquire, accumulate, transmit,
10 meter, and dispatch wholesale electric power and ancillary services, and sell at
11 wholesale, supply, and dispose of electric power to public utility members, members,
12 affiliated electric utilities, and other entities;

13 (8) generate, manufacture, purchase, acquire, accumulate, transmit,
14 meter, and dispatch retail electric power and ancillary services to an industrial
15 customer, and sell at retail, supply, and dispose of electric power to an industrial
16 customer

17 (A) not located in the certificated service territory of a public
18 utility providing electric service, under conditions established in the bylaws; or

19 (B) located in the certificated service territory of a public utility
20 providing electric service if the public utility gives its written consent before
21 the corporation enters an agreement to sell power to the industrial customer;

22 (9) procure fuel supplies, fuel storage capacity, and fuel transmission
23 resources;

24 (10) construct, buy, lease, or otherwise acquire, equip, maintain, and
25 operate, and sell, assign, convey, lease, mortgage, pledge, or otherwise dispose of or
26 encumber land, buildings, structures, electric power lines or systems, dams, plants and
27 equipment, and any other real or personal property, tangible or intangible, that is
28 necessary, convenient, or appropriate to accomplish the corporation's purposes;

29 (11) buy, lease, use, or acquire franchises, rights, privileges, licenses,
30 permits, and easements;

31 (12) sell, assign, convey, mortgage, pledge, exercise, or dispose of or

1 encumber franchises, rights or privileges, licenses, permits, and easements;

2 (13) borrow money, contract indebtedness, issue evidences of
3 indebtedness, and secure payment of indebtedness by mortgage, pledge, deed of trust,
4 or other encumbrance on its real or personal property, assets, franchises, or revenue;

5 (14) construct, maintain, and operate electric transmission lines, along,
6 upon, under, and across publicly owned land and public thoroughfares, including,
7 without limitation, all roads, highways, streets, alleys, bridges, and causeways;

8 (15) exercise the power of eminent domain as a public utility under
9 AS 42.05.631, except the corporation may not exercise the power of eminent domain
10 to take an electric power generation or transmission asset from a public utility;

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

16 (17) hold, maintain, use, operate, improve, lease, exchange, donate,
17 convey, alienate, encumber, or otherwise grant a security interest in, or authorize use
18 or dispose of, land or personal property, subject to other provisions of this chapter;

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

22 (19) undertake and provide for the management, operation,
23 maintenance, use, repair, renovation, and control of all of the property of the
24 corporation;

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

29 (21) enter into agreements with the state or a state agency or other
30 instrumentality of the state;

31 (22) make all contracts necessary, convenient, or appropriate for the

1 full exercise of its powers;

2 (23) conduct its business and exercise its powers inside or outside the
3 state;

4 (24) develop operating standards applicable to all public utilities
5 electrically interconnected to the service territory of the corporation;

6 (25) do or perform any other act and thing and have and exercise any
7 other power that may be necessary, convenient, or appropriate to accomplish the
8 corporation's purposes; and

9 (26) create subsidiary corporations.

10 (b) The corporation may not require its members to enter into power purchase
11 agreements that restrict the ability of members to enter into bilateral power purchase
12 or wheeling agreements among themselves, except as a condition for participation in
13 specific new generation or transmission projects when the condition is reasonably
14 necessary in order for the corporation to finance the project.

15 **Sec. 42.50.100. Public utility powers and regulation.** The corporation shall
16 have all of the powers and duties of a regulated electric public utility under AS 42.05,
17 except that the corporation

18 (1) may not make retail sales of electric power except to an industrial
19 customer under AS 42.50.090(a)(8);

20 (2) is not required to obtain a certificate under AS 42.05.221.

21 **Sec. 42.50.110. Integrated resource plan.** (a) The corporation shall adopt an
22 integrated resource plan for use with a long-range fuel supply plan under
23 AS 42.50.120 to determine the need for and selection of electric generation and
24 transmission projects to ensure delivery of safe and reliable electric power to public
25 utility members at the lowest reasonable long-term cost. The corporation shall
26 evaluate and consider recommendations made in an applicable state energy plan or
27 state integrated resource plan before in adopting and updating the plan. If the
28 corporation's integrated resource plan deviates from other state energy or resource
29 plans, the corporation's plan must include a report explaining the reasons for the
30 deviation.

31 (b) The board shall establish a schedule for review of the integrated resource

1 plan and update the plan at least once every five years.

2 (c) The corporation shall make the integrated resource plan available on the
3 Internet to members, the governor, the legislature, and ratepayers.

4 **Sec. 42.50.120. Long-range fuel supply plan.** (a) The corporation shall adopt
5 a long-range fuel supply plan to determine the need for and selection of fuel supplies
6 to be used by electric generation projects to ensure delivery of safe, reliable, and
7 sustainable electric power to public utility members at the lowest reasonable long-term
8 cost. The corporation shall evaluate recommendations made in any applicable state
9 energy plan or state integrated resource plan before adopting and updating the long-
10 range fuel supply plan. If the corporation deviates from recommendations in a state
11 plan, the adopted or updated long-range fuel supply plan shall include a report
12 explaining the reasons for the deviation.

13 (b) The board shall establish a schedule for review of the long-range fuel
14 supply plan and update the plan at least once every five years.

15 (c) The corporation shall make the long-range fuel supply plan available on
16 the Internet to members, the governor, the legislature, and ratepayers.

17 **Sec. 42.50.130. Long-range capital improvement plan.** (a) The corporation
18 shall adopt a long-range capital improvement plan. The plan must describe how the
19 corporation intends to accomplish the corporation's purposes and identify anticipated
20 capital improvements planned during each of the following 10 years. The plan must be
21 based on the principle of providing safe, reliable, and sustainable electric power to
22 public utility members at the lowest reasonable long-term cost.

23 (b) The board shall establish a schedule for review of the long-range capital
24 improvement plan and update the plan at least once every five years.

25 (c) The corporation shall make the long-range capital improvement plan
26 available on the Internet to members, the governor, the legislature, and ratepayers.

27 **Sec. 42.50.140. Long-range financial management plan.** (a) The corporation
28 shall adopt a long-range financial management plan. The plan must describe the
29 manner in which the corporation intends to accomplish the corporation's purposes and
30 the corporation's plans for acquisition, accumulation, and issuance of equity and debt
31 for the next 10 years. The plan shall be based on the principle of providing safe,

1 reliable, and sustainable electric power to public utility members at the lowest
2 reasonable long-term cost.

3 (b) The board shall establish a schedule for review and update the long-range
4 financial management plan at least once every five years.

5 (c) The corporation shall make the long-range financial management plan
6 available on the Internet to members, the governor, the legislature, and ratepayers.

7 **Sec. 42.50.150. Financing arrangements.** (a) The corporation may

8 (1) use any financing arrangements permitted by law in achieving the
9 purposes and objectives of the corporation; and

10 (2) develop financing arrangements for individual projects.

11 (b) The corporation may obtain assistance from state agencies with financing
12 projects through direct grants, debt guarantees, granting of a moral obligation of the
13 state to ensure payment of debt instruments, purchase of issued debt instruments, or
14 other financial methods appropriate to the projects or tasks.

15 **Sec. 42.50.160. Fuel supplies.** (a) The corporation may acquire long-term fuel
16 supplies as required to ensure electric power generation facilities can operate without
17 fuel-related interruption, including direct ownership of transportation and storage
18 facilities as required to fulfill the purposes of the corporation under AS 42.50.010(b).

19 (b) The corporation may acquire long-term fuel supplies under this section in
20 conjunction with other entities that are acquiring long-term fuel supplies for any
21 lawful purpose in any lawful manner.

22 **Sec. 42.50.170. Tax exemption.** The real and personal property of the
23 corporation and the assets, income, and receipts of the corporation are exempt from all
24 taxes and assessments of the state or a political subdivision of the state, except that
25 electricity sold at retail by the corporation is subject to the electric cooperative tax
26 under AS 10.25.540 – 10.25.570.

27 **Sec. 42.50.180. Reports and publications.** The board shall publish an annual
28 report on the Internet. The report must include financial statements audited by
29 independent auditors, a discussion of the corporation's circumstances and operations
30 during the period covered by the report, and any other information requested by the
31 legislature. The board may publish other information or reports it considers

1 appropriate.

2 **Sec. 42.50.190. Right to examine books and records.** (a) Except as provided
3 in (c) of this section, members and ratepayers may, at a reasonable time and for any
4 proper purpose, examine and make copies of the books and records of the corporation
5 at the principal office of the corporation.

6 (b) The corporation may charge a requestor an amount equal to the actual cost
7 of finding and duplicating documents requested under this section.

8 (c) The corporation may withhold books and records concerning the following
9 subjects:

10 (1) records required to be kept confidential by law;

11 (2) personnel records, to the extent that the records are not required to
12 be publicly disclosed by a state or federal agency;

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

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

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

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

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

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

28 **Sec. 42.50.200. Audits and examinations of corporation.** The corporation
29 shall be audited annually by an independent auditor. The board shall engage the
30 auditor, who shall be responsible to the board. The corporation shall submit copies of
31 each report of the auditor to the legislature and governor within 30 days after receipt

1 of the report by the corporation.

2 **Sec. 42.50.210. Dissolution, merger, consolidation, and disposition of**
3 **assets.** Without prior legislative approval, the corporation may not

4 (1) dissolve;

5 (2) merge or consolidate; or

6 (3) dispose of corporate assets other than in the ordinary course of
7 business.

8 **Sec. 42.50.220. Procedures for dispute resolution.** The corporation shall
9 establish a dispute resolution process in its bylaws. The dispute resolution process
10 must include, at a minimum,

11 (1) a requirement that disputes be initially brought before the board for
12 resolution;

13 (2) a requirement that the parties shall attempt to resolve a dispute that
14 is not resolved by the board through mediation;

15 (3) a requirement that the corporation and the disputing party shall
16 attempt to resolve a dispute that is not resolved by the board and is not resolved
17 through mediation through binding arbitration if allowed by the bylaws of the
18 corporation; and

19 (4) if not resolved by the board, through mediation, or through binding
20 arbitration, if allowed, a provision for resolution of the dispute through litigation in a
21 court of competent jurisdiction.

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

24 (1) "affiliated electric utility" means an electric utility that is wholly
25 owned by one or more public utility members and by or through which one or more
26 public utility members obtain electric power or electric generation or transmission
27 services;

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

29 (3) "commissioner" means the commissioner of commerce,
30 community, and economic development;

31 (4) "cooperative" means an entity organized under AS 10.25;

1 (5) "corporation" means an energy and transmission corporation
2 organized under this chapter;

3 (6) "electrically interconnected" means interconnected at a minimum
4 transmission level of 69 kilovolts;

5 (7) "electric power" means electric energy and capacity;

6 (8) "electric utility" means a public utility, as defined in AS 42.05.990
7 that furnishes electrical generation, transmission, or distribution service;

8 (9) "member" means a member of the corporation under AS 42.50.050,
9 including public utility members;

10 (10) "public utility member" means a municipal or cooperative electric
11 utility that has an electric distribution service territory, that holds a certificate of public
12 convenience and necessity issued by the Regulatory Commission of Alaska, that is one
13 of the electric utilities that organizes an energy and transmission corporation or that
14 becomes a public utility member of the corporation under AS 42.50.050(b), and that
15 does not withdraw from being a member or public utility member under
16 AS 42.50.050(d) or (e);

17 (11) "ratepayers" means the ratepayers of the public utility members of
18 the corporation;

19 (12) "service territory of the corporation" means the combined service
20 territories identified in the certificates of public convenience and necessity issued by
21 the Regulatory Commission of Alaska for each of the public utility members of the
22 corporation.

23 * Sec. 7. AS 42.50.100, as enacted by sec. 6 of this Act, is amended to read:

24 **Sec. 42.50.100. Public utility powers and regulation.** The corporation shall
25 have all of the powers and duties of a regulated electric public utility under AS 42.05,
26 except that the corporation

27 (1) may not make retail sales of electric power except to an industrial
28 customer under AS 42.50.090(a)(8);

29 (2) is not required to obtain a certificate under AS 42.05.221;

30 (3) is exempt from payment of a regulatory cost charge under
31 AS 42.05.254; and

1 **(4) is exempt from rate regulation under AS 42.05.431.**

2 * **Sec. 8.** AS 42.50.100, as enacted by sec. 6 of this Act, is amended by adding a new
3 subsection to read:

- 4 (b) The corporation
- 5 (1) shall comply with the principles and requirements contained in
- 6 AS 42.05.441 - 42.05.491 as if the corporation were a regulated public utility; and
- 7 (2) is subject to the jurisdiction of the Regulatory Commission of
- 8 Alaska under AS 42.05.311 and 42.05.321 regarding joint use and interconnection of
- 9 facilities.

10 * **Sec. 9.** AS 42.50, as enacted by sec. 6 of this Act, is amended by adding a new section to
11 read:

12 **Sec. 42.50.155. Administrative costs and other services.** (a) The corporation
13 may annually assess and collect a fee for just and reasonable administrative expenses
14 from members of the corporation.

15 (b) The corporation may enter into contracts with members of the corporation
16 for services rendered by the members to the corporation and for services provided to
17 the members.

18 * **Sec. 10.** AS 42.50, as enacted by sec. 6 of this Act, is amended by adding a new section to
19 read:

20 **Sec. 42.50.165. Rates for electric power, energy, and services.** (a) The
21 corporation shall establish schedules of rates and charges for electric power, energy,
22 and other services provided by the corporation, which become effective on adoption
23 by the board of directors of the corporation using the procedures set out in (d) of this
24 section.

- 25 (b) The rates and charges included in a schedule
- 26 (1) must comply with AS 42.50.100(b)(1);
- 27 (2) may be established for individual projects that are owned or
- 28 operated by the corporation; however, the corporation may not grant an unreasonable
- 29 preference or advantage to a customer or subject a customer to an unreasonable
- 30 prejudice or disadvantage;
- 31 (3) may provide for uniform rates and charges in order to extend the

1 benefits of an integrated generation and transmission system and encourage the
2 equitable distribution of the electric power, energy, and other services developed by
3 the corporation;

4 (4) may not establish or maintain an unreasonable difference between
5 localities or classes of service;

6 (5) must be based on the principle of the recovery of just and
7 reasonable costs of producing and transmitting electric power, energy, or other
8 services, including

9 (A) operation and maintenance costs;

10 (B) administrative expenses not assessed under AS 42.50.155;

11 (C) the amortization of the capital investment over a reasonable
12 period of years;

13 (D) margins required by financial covenants contained in
14 mortgages or other debt instruments of the corporation;

15 (6) must consider, and not duplicate recovery for, administrative
16 expenses assessed under AS 42.50.155;

17 (7) may include amounts necessary to fund costs reasonably
18 anticipated to become just and reasonable costs of producing and transmitting electric
19 power, energy, or other services, including costs

20 (A) for the repair, replacement, and retirement of a project
21 owned or operated by the corporation;

22 (B) to permit the corporation to build reasonably necessary
23 equity for future operations.

24 (c) The corporation shall determine, after the conclusion of each fiscal year,
25 the actual annual project costs for a project owned or operated by the corporation for
26 the fiscal year, including

27 (1) the amounts used to fund anticipated costs under (b)(7) of this
28 section;

29 (2) the annual payment obligation of each purchaser of the electric
30 power, energy, or services for the fiscal year; and

31 (3) the amount of payment or refund required for each purchaser to

1 ensure that the total amount of payments received from each purchaser for the fiscal
2 year is equal to that purchaser's actual annual payment obligation for that asset for that
3 fiscal year; a payment or refund obligation must be paid or refunded as soon as
4 practicable using a rate adjustment.

5 (d) The corporation shall use the following procedures to establish a schedule
6 for rates and charges:

7 (1) notice of a proposed schedule of rates and charges must include a
8 statement of the justifications and reasons supporting the new or amended schedule;

9 (2) the notice shall be published at a time and in a manner that will
10 reasonably inform members and ratepayers of the proposed rates and charges and must
11 state the deadline for timely filing of comments to the schedule;

12 (3) the deadline for submitting comments to a proposed schedule of
13 rates and charges may not be less than 30 days after the date of the notice;

14 (4) the corporation shall conduct one or more hearings under
15 procedural rules adopted by the board; the procedural rules must provide for the
16 development of a record that includes all timely submitted comments related to the
17 proposed rates and charges; the procedural rules must provide for the examination of
18 evidence regarding just and reasonable costs at the hearing;

19 (5) the corporation may republish notice of proposed rates and charges
20 in the schedules if the corporation proposes significantly different new or amended
21 rates and charges following consideration of timely filed or submitted comments;

22 (6) the corporation shall make a final written decision establishing or
23 amending the schedule of rates and charges based on the record; the decision must
24 include a full and complete justification supporting the final rates and charges;

25 (7) the decision of the corporation becomes effective 90 days after the
26 corporation issues notice of its final written decision;

27 (8) a member may appeal a final rate decision of the board under the
28 dispute resolution process in AS 42.50.220; during the appeal process, the corporation
29 may implement the new or amended rates and charges in the schedules on an interim
30 and refundable basis if the board determines that the interests of the ratepayers can be
31 reasonably protected;

1 (9) the corporation may establish other procedural rules consistent with
2 this subsection to protect the interests of ratepayers.

3 * **Sec. 11.** AS 44.83.396(c) is amended to read:

4 (c) The authority shall enter into a contract or lease under reasonable terms
5 and conditions to permit the applicant utility to operate the power project when the
6 applicant utility is the only wholesale power customer to be served directly by the
7 power project, or is a corporation organized under AS 42.50.010 and one or more
8 public utility members of the corporation is a wholesale power customer to be
9 served directly by the power project, unless the authority determines the [A] utility
10 or corporation making application for a contract or lease to operate a power project is
11 not a qualified utility or is not capable of operating that power project efficiently and
12 in a manner that is consistent with national standards for the industry and with
13 agreements with bondholders.

14 * **Sec. 12.** AS 42.05.431(i), enacted by sec. 3 of this Act, is repealed.

15 * **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 AUTHORIZATION TO FORM GREATER RAILBELT ENERGY AND
18 TRANSMISSION CORPORATION. (a) Any combination of four or more of the following
19 public utilities may organize the Greater Railbelt Energy and Transmission Corporation, as an
20 energy and transmission corporation under AS 42.50:

- 21 (1) Homer Electric Association, Inc.;
- 22 (2) the City of Seward, Electric Utility Department;
- 23 (3) Chugach Electric Association, Inc.;
- 24 (4) the Municipality of Anchorage d/b/a Municipal Light and Power;
- 25 (5) Matanuska Electric Association, Inc.; and
- 26 (6) Golden Valley Electric Association, Inc.

27 (b) This section is contingent on the obligation that the corporation shall conduct,
28 under the direction of the Legislative Budget and Audit Committee, a management audit of
29 the corporation to be commenced on June 30, 2013, 2016, and 2020. The management audit
30 shall be conducted under methodologies and principles set out in volumes I (1988 ed.), II
31 (1992 ed.) and III (1995 ed.) of the Management Audit Manual published by the National

1 Association of Regulatory Utility Commissioners, Washington, D.C. The results of the
2 management audit shall be transmitted to the Legislative Budget and Audit Committee 180
3 days after the commencement of the audit. This obligation to conduct a management audit
4 shall be in addition to any audit obligation that may be required under an appropriation to the
5 corporation.

6 (c) This section authorizes the organization of the Greater Railbelt Energy and
7 Transmission Corporation, as required under AS 42.50.010(a), enacted by sec. 6 of this Act.

8 * Sec. 14. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 **CONDITIONAL EFFECT.** (a) Sections 3, 6, and 11 of this Act take effect only if four
11 or more of the listed public utilities deliver to the Alaska Energy Authority before 4:30 p.m.
12 on July 30, 2010, a letter of intent in the form and substance acceptable to the Alaska Energy
13 Authority, under which the listed public utility agrees to become a public utility member of
14 the Greater Railbelt Energy and Transmission Corporation. Each listed public utility that
15 meets the conditions described in this subsection shall, effective August 16, 2010, be a public
16 utility member of the Greater Railbelt Energy and Transmission Corporation. The listed
17 public utilities are as follows:

- 18 (1) Homer Electric Association, Inc.;
- 19 (2) the City of Seward, Electric Utility Department;
- 20 (3) Chugach Electric Association, Inc.;
- 21 (4) the Municipality of Anchorage d/b/a Municipal Light and Power;
- 22 (5) Matanuska Electric Association, Inc.;
- 23 (6) Golden Valley Electric Association, Inc.

24 (b) The executive director of the Alaska Energy Authority shall notify the lieutenant
25 governor and the revisor of statutes when any of the conditions described in (a) of this section
26 are met.

27 (c) Sections 1, 2, 4, 5, 7 - 10, and 12 of this Act take effect only if secs. 3, 6, and 11 of
28 this Act have taken effect.

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

- 30 (1) "Alaska Energy Authority" means the authority created in AS 44.83.020;
- 31 (2) "Greater Railbelt Energy and Transmission Corporation" means the

1 corporation organized as an energy and transmission corporation under AS 42.50, enacted by
2 sec. 6 of this Act, as authorized by sec. 13 of this Act;

3 (3) "public utility member" has the meaning given in AS 42.50.900, enacted
4 by sec. 6 of this Act.

5 * **Sec. 15.** If secs. 3, 6, and 11 of this Act take effect under sec. 14(a) of this Act, they take
6 effect August 16, 2010.

7 * **Sec. 16.** If secs. 1, 2, 4, 5, 7 - 10, and 12 of this Act take effect under sec. 14(c) of this
8 Act, they take effect August 16, 2015.

9 * **Sec. 17.** Sections 13 and 14 of this Act take effect immediately under AS 01.10.070(c).

A M E N D M E N T

Submitted by Dept of Law

**This amendment will be incorporated into a new CS*

VERSION
"S"

TO: SB 143 (Work Draft 26-GS1041\E)

Page 1, line 4, following "**municipalities;**"

Insert "**relating to the Alaska Energy Authority contracting with energy and transmission corporations to operate a power project;**"

Page 2, line 25, following "commission":

Insert "shall not disallow from a rate base or revenue requirement amounts"

Delete "may not reject an amount"

Page 4, lines 19 - 22:

Delete all material.

Page 7, line 31, following "corporation":

Insert "under (a) of this section"

Page 8, line 15, following "member":

Insert "(1)"

Page 8, line 17, following "corporation":

Insert "; and (2)"

Delete "and if the public utility member"

Page 9, line 8, following "directors":

Delete "or its"

Page 9, line 9:

Delete "members"

Page 9, line 16, following "and" through line 17:

Insert "the articles of incorporation"

Delete "other laws that apply to the corporation"

Page 10, line 24, following "resources":

Delete all material.

Page 10, line 25:

Delete "deposits"

Page 10, line 26:

Delete all material.

Page 12, line 18, following "**regulation.**"

Delete "(a)"

Page 12, line 23, following "AS 42.50.221":

Insert "."

Delete ";

Page 12, line 24 through page 13, line 1:

Delete all material.

Page 14, line 27 - page 15, line 1:

Delete all material.

Page 15, line 4, following "ownership of":

Delete "fuel supply production,"

Page 15, lines 7 - 9:

Delete all material.

Page 15, line 13 through page 17, line 29:

Delete all material.

Page 20, following line 30:

Insert new bill sections to read:

“ * Sec. 7. AS 42.50.100, enacted by section 6 of this Act, is amended to read:

Sec. 42.50.100. Public utility powers and regulation. (a) The corporation shall have all of the powers and duties of a regulated electric public utility under AS 42.05, except that the corporation:

(1) may not make retail sales of electric power except to an industrial customer under AS 42.50.100(8); [AND]

(2) is not required to obtain a certificate under AS 42.05.221;

(3) is exempt from payment of a regulatory cost charge under AS 42.05.254; and

(4) is exempt from rate regulation under AS 42.05.431.

(b) The corporation

(1) shall comply with the principles and requirements contained in AS 42.05.441 - AS 42.05.491 as if the corporation were a regulated public utility; and

(2) is subject to the jurisdiction of the Regulatory Commission of Alaska under AS 42.05.311 and AS 42.05.321 regarding joint use and interconnection of facilities.

* **Sec. 8.** AS 42.50, enacted by section 6 of this Act, is amended by adding new sections to read:

Sec. 42.50.160. Administrative Costs and Other Services. (a) The corporation may annually assess and collect a fee for just and reasonable administrative expenses from members of the corporation.

(b) The corporation may enter into contracts with members of the corporation for services rendered by the members to the corporation and for services provided to the members.

Sec. 42.50.180. Rates for Electric Power, Energy and Services. (a) The corporation shall establish schedules of rates and charges for electric power, energy, and other services provided by the corporation, which become effective upon adoption by the board of directors of the corporation using the procedures set out in (d) of this section.

(b) The rates and charges included in a schedule:

(1) must comply with AS 42.50.100(b)(1);

(2) may be established for individual projects which are owned or operated by the corporation; provided that the corporation may not, as to rates and charges, grant an unreasonable preference or advantage to any of its customers or subject a customer to an unreasonable prejudice or disadvantage;

(3) may provide for uniform rates and charges in order to extend the benefits of an integrated generation and transmission system and encourage the

equitable distribution of the electric power, energy, and other services developed by the corporation;

(4) may not establish or maintain an unreasonable difference between localities or classes of service;

(5) must be based on the principle of the recovery of just and reasonable costs of producing and transmitting electric power, energy or other services, including

(A) operation and maintenance costs;

(B) administrative expenses not assessed under AS 42.50.160;

(C) the amortization of the capital investment over a reasonable period of years;

(D) margins required by financial covenants contained in mortgages or other debt instruments of the corporation;

(6) must consider, and not duplicate recovery for, administrative expenses assessed under AS 42.50.160; and

(7) may include amounts necessary to fund costs reasonably anticipated to become just and reasonable costs of producing and transmitting electric power, energy or other services, including costs

(A) for the repair, replacement and retirement of a project owned or operated by the corporation;

(B) to permit the corporation to build reasonably necessary equity for future operations.

(c) The corporation shall determine after the conclusion of each fiscal year, the actual annual project costs for a project owned or operated by the corporation for that fiscal year, including

(1) the amounts used to fund anticipated costs under (b)(7) of this section;

(2) the annual payment obligation of each purchaser of the electric power, energy or services for that fiscal year; and

(3) the amount of payment or refund required for each purchaser to ensure that the total amount of payments received from each purchaser for the fiscal year is equal to that purchaser's actual annual payment obligation for that asset for that fiscal year; a payment or refund obligation must be paid or refunded as soon as practicable using a rate adjustment.

(d) The corporation must use the following procedures to establish a schedule for rates and charges:

(1) notice of a proposed schedule of rates and charges include a statement of the justifications and reasons supporting the new or amended schedule;

(2) the notice must be published at a time and in a manner that will reasonably inform members and ratepayers of the proposed rates and charges and must state deadline for timely filing comments to the schedule;

(3) the deadline for submitting comments to a proposed schedule of rates and charges may not be less than 30 days after the date of the notice;

(4) the corporation shall conduct one or more hearings under procedural rules adopted by the board; the procedural rules must provide for the development of a record that includes all timely submitted comments related to the proposed rates and charges; the procedural rules must provide for the examination of evidence regarding just and reasonable costs at the hearing;

(5) the corporation may republish notice of proposed rates and charges in the schedules if the corporation proposes significantly different new or amended rates and charges following consideration of timely filed or submitted comments;

(6) the corporation shall make a final written decision establishing or amending the schedule of rates and charges based on the record; the decision must include a full and complete justification supporting the final rates and charges;

(7) the decision of the corporation becomes effective 90 days after the corporation issues notice of its final written decision;

(8) a member may appeal a final rate decision of the board under the dispute resolution process in AS 42.50.240; during the appeal process, the corporation may implement the new or amended rates and charges in the schedules on an interim and refundable basis if the board determines that the interests of the ratepayers can be reasonably protected;

(9) the corporation may establish other procedural rules consistent with this subsection to protect the interests of ratepayers.

* Sec. 9. AS 44.83.396(c) is amended to read:

(c) The authority shall enter into a contract or lease under reasonable terms and conditions to permit the applicant utility to operate the power project when the applicant utility is the only wholesale power customer to be served directly by the power project, or is a corporation organized under AS 42.50.010 and one or more public utility members of the corporation is a wholesale power customer to be served directly by the power project, unless the authority determines the [A] utility or corporation making application for a contract or lease to operate a power project is not a qualified utility or is not capable of operating that power project efficiently and in a manner that is consistent with national standards for the industry and with agreements with bondholders.”

Renumber the following bill sections accordingly.

Page 21, line 27, following “6,”:

Insert “9, 11, and 14”

Delete “and 8”

Page 22, line 20, following “6,”:

Insert “9, 11, and 14”

Delete “and 8”

Page 22, line 20, following “under sec.”:

Insert “12”

Delete "9"

Page 22, line 22, following "5,":

Insert "7, 8 and 10"

Delete "and 8"

Page 22, line 23, following "sections":

Insert "13 and 14"

Delete "10 and 11"

PREVIOUS CS

WORK DRAFT

WORK DRAFT

WORK DRAFT

* NEW CS HAS BEEN ORDERED THAT INCORPERATES THE ATTACHED AMENDMENT. 26-GS1041/E Bailey 3/18/10

CS FOR SENATE BILL NO. 143(ENE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE SPECIAL COMMITTEE ON ENERGY

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to energy and transmission corporations; authorizing the organization
2 of the Greater Railbelt Energy and Transmission Corporation; relating to exemption of
3 energy and transmission corporations from regulation by the Regulatory Commission of
4 Alaska and municipalities; and providing for an effective date."

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

6 * Section 1. AS 29.35.070(a) is amended to read:

7 (a) The assembly acting for the area outside all cities in the borough and the
8 council acting for the area in a city may regulate, fix, establish, and change the rates
9 and charges imposed for a utility service provided to the municipality or its inhabitants
10 by a utility that is not subject to regulation under AS 42.05 unless that utility is
11 exempted from regulation under AS 42.05.711(a), (d) - (k), (o), [OR] (p), or (q), or is
12 exempted under regulations adopted under AS 42.05.810 from complying with all or
13 part of AS 42.05.141 - 42.05.721.

14 * Sec. 2. AS 42.05.431(c) is amended to read:

1 (c) Notwithstanding (b) of this section,

2 (1) a wholesale agreement for the sale of power from a project licensed
3 by the Federal Energy Regulatory Commission on or before January 1, 1987, and
4 related contracts for the wheeling, storage, regeneration, or wholesale repurchase of
5 power purchased under the agreement, entered into between the Alaska Energy
6 Authority and one or more other public utilities or among the utilities after October 31,
7 1987, and before January 1, 1988, and amendments to the wholesale agreement or
8 related contract, [AND] the wholesale agreement or related contract assigned by the
9 Alaska Energy Authority to a joint action agency formed under AS 42.45.310 that
10 purchases the project from the Alaska Energy Authority, and a wholesale agreement
11 for the sale of power from a project owned or operated by a corporation
12 organized under AS 42.50, and related contracts for the wheeling, storage,
13 regeneration, or wholesale repurchase of power purchased under the agreement,
14 entered into between the corporation and one or more public utilities, are not
15 subject to review or approval by the commission until all long-term debt incurred for
16 the project is retired, or, for a wholesale agreement or related contract assigned to a
17 joint action agency formed under AS 42.45.310, until all long-term debt incurred to
18 pay the purchase price to the Alaska Energy Authority is retired; and

19 (2) a wholesale agreement or related contract described in (1) of this
20 subsection may contain a covenant for the public utility to establish, charge, and
21 collect rates sufficient to meet its obligations under the contract; the rate covenant is
22 valid and enforceable.

23 * Sec. 3. AS 42.05.431 is amended by adding a new subsection to read:

24 (i) When setting or reviewing rates for an energy and transmission corporation
25 organized under AS 42.50.010; the commission may not reject an amount necessary
26 for the corporation to fund a cost reasonably anticipated to become a just and
27 reasonable cost of producing and transmitting electric power, energy, or other
28 services, including costs

29 (1) for the repair, replacement, and retirement of a project owned or
30 operated by the corporation; and

31 (2) incurred to permit the corporation to build reasonably necessary

1 equity for future operations.

2 * Sec. 4. AS 42.05.711(f) is amended to read:

3 (f) A person, utility, joint action agency established under AS 42.45.310, or
4 cooperative that is exempt from regulation under (a), (d) - (k), [OR] (o) or (g), of this
5 section is not subject to regulation by a municipality under AS 29.35.060 and
6 29.35.070.

7 * Sec. 5. AS 42.05.711 is amended by adding a new subsection to read:

8 (q) A corporation organized under AS 42.50 is exempt from regulation under
9 this chapter, including the requirement to obtain a certificate of public convenience
10 and necessity under AS 42.05.221.

11 * Sec. 6. AS 42 is amended by adding a new chapter to read:

12 **Chapter 50. Energy and Transmission Corporations.**

13 **Sec. 42.50.010. Energy and transmission corporations.** (a) Four or more
14 municipal or cooperative public utilities with electrically interconnected service
15 territories may, if first authorized by law, organize an energy and transmission
16 corporation

17 (1) to acquire, operate, or maintain power and transmission projects
18 acquired or constructed as part of the former energy program for the state and owned
19 by the Alaska Energy Authority under AS 44.83.396; and

20 (2) to plan for, recommend, coordinate, and otherwise address power
21 generation and transmission for the electrically interconnected service territories as
22 provided in this chapter.

23 (b) The purposes of the corporation are

24 (1) to ensure adequate, reliable, safe, and stable wholesale electric
25 power to public utility members without undue discrimination, at the lowest
26 reasonable long-term cost; and

27 (2) to be the primary recipient of state financial assistance provided to
28 support the acquisition, construction, or development of generation and transmission
29 assets and ancillary services and assets for the public utility members of the
30 corporation.

31 (c) In furtherance of the purposes of the corporation, the corporation may plan

1 for, recommend, coordinate, and otherwise address

2 (1) the adequacy of fuel supply, fuel storage, and fuel transportation
3 resources required to meet the short-term and long-term electric power needs of the
4 service territory of the corporation;

5 (2) the adequacy of generation and transmission assets to prudently
6 meet local and regional short-term and long-term electric power and reliability needs
7 of the areas electrically interconnected to the service territory of the corporation:

8 (3) generation reserves to meet planning and operational requirements;

9 (4) base load generation in all parts of the service territory of the
10 corporation;

11 (5) generation and transmission power dispatch resources, including
12 the ability to connect dispatch resources of the public utility members;

13 (6) diversity in generation resources;

14 (7) renewable-energy-based generation resources;

15 (8) integration of renewable energy generation resources.

16 (d) The corporation shall operate on a nonprofit basis, offering its services
17 based on uniform rates for like services under standard tariffs or contractual
18 arrangements.

19 (e) The corporation is exempt from the provisions of AS 10.15 (Alaska
20 Cooperative Corporation Act), AS 10.20 (Alaska Nonprofit Corporation Act), and,
21 except as provided under AS 42.50.060 and 42.50.190, AS 10.25 (Electric and
22 Telephone Cooperative Act).

23 (f) The corporation has a separate and independent existence from the state.
24 The corporation may not be considered the state, a state agency, an administrative unit
25 of the executive branch of state government, a governmental unit of the state, a public
26 corporation of the state, a municipal corporation, or a political subdivision of the state.

27 (g) The exercise by the corporation of the powers granted by this chapter is
28 considered to be for a public purpose.

29 (h) The corporation is authorized to interconnect with and provide services to
30 electric utilities other than public utility members on terms and conditions approved
31 by the corporation's board of directors. The corporation may decline to interconnect

1 with an electric utility or any other entity that fails to meet standards for
2 interconnection adopted by the corporation.

3 **Sec. 42.50.020. Board of directors.** (a) The corporation shall be governed by a
4 board of directors consisting of

5 (1) two directors from each public utility members, one of whom shall
6 be the chief executive officer of the public utility member or the chief executive
7 officer's designee and one of whom shall be an individual appointed by the governing
8 body of the public utility member; and

9 (2) one public director appointed by the governor from a list of at least
10 three persons submitted by the directors appointed under (a)(1) of this section; if the
11 governor rejects an entire list, the directors appointed under (a)(1) of this section shall
12 submit a new list that includes at least three persons who were not included on a
13 previously rejected list.

14 (b) The term of a director representing a public utility member under (a)(1) of
15 this section expires when the public utility member notifies the board that the
16 individual has been removed as a representative of the utility on the board.

17 (c) The term of the director appointed by the governor under (a)(2) of this
18 section is four years. If a vacancy occurs, the governor shall appoint a director under
19 (a)(2) of this section to serve the remaining term of the director. The governor may
20 reappoint the director described in this subsection.

21 (d) The board may only remove a director for cause on two-thirds majority
22 vote of the full board. The bylaws must provide a mechanism for a public utility
23 member to appoint an alternative member if the chief executive officer of the utility is
24 removed from the board.

25 (e) A majority of the directors on the board constitutes a quorum for the
26 transaction of business and the exercise of the powers and duties of the board.

27 (f) The directors shall annually elect from among the directors on the board a
28 chair and vice-chair and other board officers as may be provided in the bylaws.

29 (g) Directors may not receive a salary, but the corporation may pay directors a
30 meeting fee, per diem, and travel expenses.

31 **Sec. 42.50.030. Board meetings; exceptions.** (a) A meeting of the board may

1 be attended by members of the corporation, ratepayers, and the public. The bylaws
2 must provide for participation of members and ratepayers at board meetings. Except
3 when a voice vote is authorized, a vote shall be conducted in a manner that the
4 members and ratepayers may know the vote of each director entitled to vote. The
5 board may conduct a meeting by teleconference or similar communications equipment
6 if the board gives reasonable notice of the meeting and if the members, ratepayers, and
7 public are able to attend the meeting and hear the meeting. This subsection applies
8 only to a meeting at which a quorum is present.

9 (b) The board may hold an executive session to discuss matters that come
10 within the exceptions contained in (c) of this section on a majority vote of the board.
11 Before holding an executive session, the board must first be convened as a regular or
12 special meeting. A subject that is not mentioned in the motion calling for the executive
13 session may not be considered at the executive session unless the subject is auxiliary
14 to the main question. Formal action may not be taken during an executive session.

15 (c) The following matters may be discussed in an executive session:

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

18 (2) matters that tend to prejudice the reputation and character of a
19 person; however, the person may request a public discussion;

20 (3) matters discussed with an attorney for the corporation, the
21 knowledge of which could have an adverse effect on the legal position of the
22 corporation;

23 (4) matters that are required by law to be confidential;

24 (5) matters pertaining to a plan, a program, or procedures for
25 establishing, maintaining, or restoring security, or to a detailed description or
26 evaluation of systems, facilities, or infrastructure of the corporation, but only to the
27 extent that the discussion of the matter in open session

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

30 (B) would disclose confidential guidelines for investigations or
31 enforcement and the disclosure could reasonably be expected to risk

1 circumvention of the law; or

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

5 (d) The board shall give notice for all regular or special meetings of the board
6 as provided in the bylaws.

7 **Sec. 42.50.040. Officers and employees.** (a) The board shall appoint a chief
8 executive officer. The chief executive officer may not be a director and serves at the
9 pleasure of the board.

10 (b) The board shall appoint officers as required by the bylaws and as the board
11 determines to be necessary for the effective operation of the corporation.

12 (c) The chief executive officer may hire employees of the corporation as
13 necessary for the efficient performance of the functions of the corporation. The board
14 shall approve the range of compensation for employees. Employees of the corporation
15 are not employees of the state and are not considered to be employees of a public
16 organization for the purposes of AS 39.

17 (d) An employee of the corporation may not be a director.

18 **Sec. 42.50.050. Membership.** (a) The members of the corporation are the
19 public utility members and other entities that purchase services from the corporation
20 that the board of directors approves to become members. The corporation may provide
21 member benefits solely to the members of the corporation.

22 (b) An entity that meets the qualifications of a public utility member under
23 this subsection shall become a public utility member of the corporation if approved by
24 a two-thirds majority vote of the board. A public utility member

25 (1) shall be a municipal or cooperative electric utility with a designated
26 electric distribution service territory, holding a certificate of public convenience and
27 necessity issued by the Regulatory Commission of Alaska;

28 (2) shall be electrically interconnected to the service territory of the
29 corporation; and

30 (3) may not be an affiliated electric utility.

31 (c) An affiliated electric utility may become a member of the corporation.

1 (d) A member, including a public utility member, may withdraw from the
2 corporation if the member

3 (1) pays or provides for the payment of all liabilities owed to the
4 corporation;

5 (2) demonstrates that the withdrawal will not have adverse tax
6 consequences to the corporation; and

7 (3) gives not less than six months' notice to the corporation.

8 (e) Withdrawal from the corporation does not affect a right or obligation in an
9 agreement between a withdrawing public utility member and the corporation. The
10 corporation shall hold equity contributed by a withdrawing public utility member to
11 the corporation for the account of the withdrawing public utility member and refunded
12 only in accordance with a long-range financial management plan adopted by the
13 board.

14 (f) A public utility member may withdraw from being a public utility member
15 of the corporation but remain a member of the corporation if the public utility member
16 demonstrates that the withdrawal will not have adverse tax consequences to the
17 corporation and if the public utility member gives not less than six months' notice to
18 the corporation.

19 (g) When a public utility member gives a notice of withdrawal, the public
20 utility member loses the right to have a director on the board.

21 **Sec. 42.50.060. Articles of incorporation; change in location of principal**
22 **office.** (a) The articles of incorporation, and amended articles of incorporation, of a
23 corporation must recite that they are executed under this chapter and must state

24 (1) the name of the corporation;

25 (2) the address of the principal office of the corporation;

26 (3) the names and the addresses of the incorporators;

27 (4) the names and addresses of the directors.

28 (b) The articles may contain any provisions consistent with this chapter that
29 are considered necessary or advisable for the conduct of the business of the
30 corporation. The articles shall be signed and acknowledged on behalf of each initial
31 public utility member of the corporation. It is not necessary to recite in the articles of

1 incorporation the purpose for which the corporation is organized or the corporate
2 powers of the corporation.

3 (c) Articles of incorporation, and amended articles of incorporation, shall be
4 submitted to the commissioner for filing. Upon a finding that the articles conform to
5 the requirements of this chapter, and upon payment of the fees provided in
6 AS 10.25.530, the commissioner shall file the articles in the records of the
7 commissioner's office.

8 (d) A corporation may, upon authorization of its board of directors or its
9 members, change the location of its principal office by filing a certificate reciting the
10 change of principal office, executed and acknowledged by its presiding officer under
11 its seal, attested by the officer designated by the board, in the office of the
12 commissioner.

13 **Sec. 42.50.070. Bylaws.** (a) The board shall adopt bylaws for the corporation
14 for the governance and management of the affairs of the corporation. The board may
15 alter, amend, or repeal the bylaws.

16 (b) The bylaws shall be consistent with this chapter and other laws that apply
17 to the corporation.

18 (c) The bylaws must set out conditions that require the corporation to offer
19 public utility members an opportunity to serve an industrial customer before the
20 corporation may serve an industrial customer.

21 (d) The bylaws must include provisions governing financing arrangements
22 under AS 42.50.150 that include obligations exceeding 12 months.

23 **Sec. 42.50.080. Indemnification of directors, officers, and employees.** The
24 corporation shall indemnify directors, officers, and employees in a manner consistent
25 with AS 10.06.490.

26 **Sec. 42.50.090. General powers of the corporation.** (a) The corporation may
27 (1) sue and be sued in its name;
28 (2) have perpetual existence;
29 (3) adopt and alter a corporate seal;
30 (4) participate with federal, state, and local governmental entities in
31 formulating and implementing policies relating to electric power, and in planning for

1 the development, construction, and operation of adequate electric power generation
2 and transmission facilities for the service territory of the corporation;

3 (5) accept, by grant, sale, contract, operating agreement, or any other
4 arrangement, assets from members of the corporation or other public or private
5 entities, persons, or governments;

6 (6) engage in a program to support the efforts of the public utility
7 members and affiliated electric utilities to enhance the development, efficiency,
8 reliability, safety, and price stability of electric power in the service territory of the
9 corporation;

10 (7) generate, manufacture, purchase, acquire, accumulate, transmit,
11 meter, and dispatch wholesale electric power and ancillary services, and sell at
12 wholesale, supply, and dispose of electric power to public utility members, members,
13 affiliated electric utilities, and other entities;

14 (8) generate, manufacture, purchase, acquire, accumulate, transmit,
15 meter, and dispatch retail electric power and ancillary services to an industrial
16 customer, and sell at retail, supply, and dispose of electric power to an industrial
17 customer

18 (A) not located in the certificated service territory of a public
19 utility providing electric service, under conditions established in the bylaws; or

20 (B) located in the certificated service territory of a public utility
21 providing electric service if the public utility gives its written consent before
22 the corporation enters an agreement to sell power to the industrial customer;

23 (9) procure fuel supplies, fuel storage capacity, and fuel transmission
24 resources, including fuel in the ground or in other natural or man-made storage and
25 deposits;

26 (10) own and operate facilities to find and extract fuel deposits;

27 (11) construct, buy, lease, or otherwise acquire, equip, maintain, and
28 operate, and sell, assign, convey, lease, mortgage, pledge, or otherwise dispose of or
29 encumber land, buildings, structures, electric power lines or systems, dams, plants and
30 equipment, and any other real or personal property, tangible or intangible, that is
31 necessary, convenient, or appropriate to accomplish the corporation's purposes;

1 (12) buy, lease, use, or acquire franchises, rights, privileges, licenses,
2 permits, and easements;

3 (13) sell, assign, convey, mortgage, pledge, exercise, or dispose of or
4 encumber franchises, rights or privileges, licenses, permits, and easements;

5 (14) borrow money, contract indebtedness, issue evidences of
6 indebtedness, and secure payment of indebtedness by mortgage, pledge, deed of trust,
7 or other encumbrance on its real or personal property, assets, franchises, or revenue;

8 (15) construct, maintain, and operate electric transmission lines, along,
9 upon, under, and across publicly owned land and public thoroughfares, including,
10 without limitation, all roads, highways, streets, alleys, bridges, and causeways;

11 (16) exercise the power of eminent domain as a public utility under
12 AS 42.05.631, except the corporation may not exercise the power of eminent domain
13 to take an electric power generation or transmission asset from a public utility;

14 (17) acquire by purchase, lease, bequest, devise, gift, exchange, the
15 satisfaction of debts, the foreclosure of mortgages, or otherwise, personal property,
16 rights, rights-of-way, franchises, easements, and other interests in land, and acquire by
17 appropriation water rights that are located in the state, taking title to the property in the
18 name of the corporation;

19 (18) hold, maintain, use, operate, improve, lease, exchange, donate,
20 convey, alienate, encumber, or otherwise grant a security interest in, or authorize use
21 or dispose of, land or personal property, subject to other provisions of this chapter;

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

25 (20) undertake and provide for the management, operation,
26 maintenance, use, repair, renovation, and control of all of the property of the
27 corporation;

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

1 (22) enter into agreements with the state or a state agency or other
2 instrumentality of the state;

3 (23) make all contracts necessary, convenient, or appropriate for the
4 full exercise of its powers;

5 (24) conduct its business and exercise its powers inside or outside the
6 state;

7 (25) develop operating standards applicable to all public utilities
8 electrically interconnected to the service territory of the corporation;

9 (26) do or perform any other act and thing and have and exercise any
10 other power that may be necessary, convenient, or appropriate to accomplish the
11 corporation's purposes; and

12 (27) create subsidiary corporations.

13 (b) The corporation may not require its members to enter into power purchase
14 agreements that restrict the ability of members to enter into bilateral power purchase
15 or wheeling agreements among themselves, except as a condition for participation in
16 specific new generation or transmission projects when the condition is reasonably
17 necessary in order for the corporation to finance the project.

18 **Sec. 42.50.100. Public utility powers and regulation.** (a) The corporation
19 shall have all of the powers and duties of a regulated electric public utility under
20 AS 42.05, except that the corporation

21 (1) may not make retail sales of electric power except to an industrial
22 customer under AS 42.50.090(a)(8);

23 (2) is not required to obtain a certificate under AS 42.05.221;

24 (3) is exempt from payment of a regulatory cost charge under
25 AS 42.05.254; and

26 (4) is exempt from rate regulation under AS 42.05.431.

27 (b) The corporation

28 (1) shall comply with the principles and requirements contained in
29 AS 42.05.441 - 42.05.491 as if the corporation were a regulated public utility; and

30 (2) is subject to the jurisdiction of the Regulatory Commission of
31 Alaska under AS 42.05.311 and 42.05.321 regarding joint use and interconnection of

1 facilities.

2 **Sec. 42.50.110. Integrated resource plan.** (a) The corporation shall adopt an
3 integrated resource plan for use with a long-range fuel supply plan under
4 AS 42.50.120 to determine the need for and selection of electric generation and
5 transmission projects to ensure delivery of safe and reliable electric power to public
6 utility members at the lowest reasonable long-term cost. The corporation shall
7 evaluate and consider recommendations made in an applicable state energy plan or
8 state integrated resource plan before in adopting and updating the plan. If the
9 corporation's integrated resource plan deviates from other state energy or resource
10 plans, the corporation's plan must include a report explaining the reasons for the
11 deviation.

12 (b) The board shall establish a schedule for review of the integrated resource
13 plan and update the plan at least once every five years.

14 (c) The corporation shall make the integrated resource plan available on the
15 Internet to members, the governor, the legislature, and ratepayers.

16 **Sec. 42.50.120. Long-range fuel supply plan.** (a) The corporation shall adopt
17 a long-range fuel supply plan to determine the need for and selection of fuel supplies
18 to be used by electric generation projects to ensure delivery of safe, reliable, and
19 sustainable electric power to public utility members at the lowest reasonable long-term
20 cost. The corporation shall evaluate recommendations made in any applicable state
21 energy plan or state integrated resource plan before adopting and updating the long-
22 range fuel supply plan. If the corporation deviates from recommendations in a state
23 plan, the adopted or updated long-range fuel supply plan shall include a report
24 explaining the reasons for the deviation.

25 (b) The board shall establish a schedule for review of the long-range fuel
26 supply plan and update the plan at least once every five years.

27 (c) The corporation shall make the long-range fuel supply plan available on
28 the Internet to members, the governor, the legislature, and ratepayers.

29 **Sec. 42.50.130. Long-range capital improvement plan.** (a) The corporation
30 shall adopt a long-range capital improvement plan. The plan must describe how the
31 corporation intends to accomplish the corporation's purposes and identify anticipated

1 capital improvements planned during each of the following 10 years. The plan must be
2 based on the principle of providing safe, reliable, and sustainable electric power to
3 public utility members at the lowest reasonable long-term cost.

4 (b) The board shall establish a schedule for review of the long-range capital
5 improvement plan and update the plan at least once every five years.

6 (c) The corporation shall make the long-range capital improvement plan
7 available on the Internet to members, the governor, the legislature, and ratepayers.

8 **Sec. 42.50.140. Long-range financial management plan.** (a) The corporation
9 shall adopt a long-range financial management plan. The plan must describe the
10 manner in which the corporation intends to accomplish the corporation's purposes and
11 the corporation's plans for acquisition, accumulation, and issuance of equity and debt
12 for the next 10 years. The plan shall be based on the principle of providing safe,
13 reliable, and sustainable electric power to public utility members at the lowest
14 reasonable long-term cost.

15 (b) The board shall establish a schedule for review and update the long-range
16 financial management plan at least once every five years.

17 (c) The corporation shall make the long-range financial management plan
18 available on the Internet to members, the governor, the legislature, and ratepayers.

19 **Sec. 42.50.150. Financing arrangements.** (a) The corporation may

20 (1) use any financing arrangements permitted by law in achieving the
21 purposes and objectives of the corporation; and

22 (2) develop financing arrangements for individual projects.

23 (b) The corporation may obtain assistance from state agencies with financing
24 projects through direct grants, debt guarantees, granting of a moral obligation of the
25 state to ensure payment of debt instruments, purchase of issued debt instruments, or
26 other financial methods appropriate to the projects or tasks.

27 **Sec. 42.50.160. Administrative costs and other services.** (a) The corporation
28 may annually assess and collect a fee for just and reasonable administrative expenses
29 from members of the corporation.

30 (b) The corporation may enter into contracts with members of the corporation
31 for services rendered by the members to the corporation and for services provided to

1 the members.

2 **Sec. 42.50.170. Fuel supplies.** (a) The corporation may acquire long-term fuel
3 supplies as required to ensure electric power generation facilities can operate without
4 fuel-related interruption, including direct ownership of fuel supply production,
5 transportation, and storage facilities as required to fulfill the purposes of the
6 corporation under AS 42.50.010(b).

7 (b) The corporation is authorized to bid on interests in state land, including
8 bids for oil and gas leases, and may not be required to post a deposit under
9 AS 38.05.860.

10 (c) The corporation may acquire long-term fuel supplies under this section in
11 conjunction with other entities that are acquiring long-term fuel supplies for any
12 lawful purpose in any lawful manner.

13 **Sec. 42.50.180. Rates for electric power, energy, and services.** (a) The
14 corporation shall establish schedules of rates and charges for electric power, energy,
15 and other services provided by the corporation, which become effective on adoption
16 by the board of directors of the corporation using the procedures set out in (d) of this
17 section.

18 (b) The rates and charges included in a schedule

19 (1) must comply with AS 42.50.100(b);

20 (2) may be established for individual projects that are owned or
21 operated by the corporation; however, the corporation may not grant an unreasonable
22 preference or advantage to a customer or subject a customer to an unreasonable
23 prejudice or disadvantage;

24 (3) may not establish or maintain an unreasonable difference between
25 localities or classes of service;

26 (4) must be based on the principle of the recovery of just and
27 reasonable costs of producing and transmitting electric power, energy, or other
28 services, including

29 (A) operation and maintenance costs;

30 (B) administrative expenses not assessed under AS 42.50.160;

31 (C) the amortization of the capital investment over a reasonable

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period of years;

(D) margins required by financial covenants contained in mortgages or other debt instruments of the corporation;

(5) must consider, and not duplicate recovery for, administrative expenses assessed under AS 42.50.160;

(6) may include amounts necessary to fund costs reasonably anticipated to become just and reasonable costs of producing and transmitting electric power, energy, or other services, including costs

(A) for the repair, replacement, and retirement of a project owned or operated by the corporation;

(B) to permit the corporation to build reasonably necessary equity for future operations;

(7) may provide for uniform rates and charges in order to extend the benefits of an integrated generation and transmission system and encourage the equitable distribution of the electric power, energy, and other services developed by the corporation; in the alternative, the corporation may adopt rates and charges for a service provided by a specific project owned or operated by the corporation that reflect differences in the cost of providing that service to a specific customer or group of customers.

(c) The corporation shall determine, after the conclusion of each fiscal year, the actual annual project costs for a project owned or operated by the corporation for the fiscal year, including

(1) the amounts used to fund anticipated costs under (b)(6) of this section;

(2) the annual payment obligation of each purchaser of the electric power, energy, or services for the fiscal year; and

(3) the amount of payment or refund required for each purchaser to ensure that the total amount of payments received from each purchaser for the fiscal year is equal to that purchaser's actual annual payment obligation for that asset for that fiscal year; a payment or refund obligation must be paid or refunded as soon as practicable using a rate adjustment.

1 (d) The corporation must use the following procedures to establish a schedule
2 for rates and charges:

3 (1) notice of a proposed schedule of rates and charges must include a
4 statement of the justifications and reasons supporting the new or amended schedule;

5 (2) the notice must be published at a time and in a manner that will
6 reasonably inform members and ratepayers of the proposed rates and charges and must
7 state the deadline for timely filing of comments to the schedule;

8 (3) the deadline for submitting comments to a proposed schedule of
9 rates and charges may not be less than 30 days after the date of the notice;

10 (4) the corporation shall conduct one or more hearings under
11 procedural rules adopted by the board; the procedural rules must provide for the
12 development of a record that includes all timely submitted comments related to the
13 proposed rates and charges; the procedural rules must provide for the examination of
14 evidence regarding just and reasonable costs at the hearing;

15 (5) the corporation may republish notice of proposed rates and charges
16 in the schedules if the corporation proposes significantly different new or amended
17 rates and charges following consideration of timely filed or submitted comments;

18 (6) the corporation shall make a final written decision establishing or
19 amending the schedule of rates and charges based on the record; the decision must
20 include a full and complete justification supporting the final rates and charges;

21 (7) the decision of the corporation becomes effective 90 days after the
22 corporation issues notice of its final written decision;

23 (8) a member may appeal a final rate decision of the board under the
24 dispute resolution process in AS 42.50.240; during the appeal process, the corporation
25 may implement the new or amended rates and charges in the schedules on an interim
26 and refundable basis if the board determines that the interests of the ratepayers can be
27 reasonably protected;

28 (9) the corporation may establish other procedural rules consistent with
29 this subsection to protect the interests of ratepayers.

30 **Sec. 42.50.190. Tax exemption.** The real and personal property of the
31 corporation and the assets, income, and receipts of the corporation are exempt from all

1 taxes and assessments of the state or a political subdivision of the state, except that
2 electricity sold at retail by the corporation is subject to the electric cooperative tax
3 under AS 10.25.540 – 10.25.570.

4 **Sec. 42.50.200. Reports and publications.** The board shall publish an annual
5 report on the Internet. The report must include financial statements audited by
6 independent auditors, a discussion of the corporation's circumstances and operations
7 during the period covered by the report, and any other information requested by the
8 legislature. The board may publish other information or reports it considers
9 appropriate.

10 **Sec. 42.50.210. Right to examine books and records.** (a) Except as provided
11 in (c) of this section, members and ratepayers may, at a reasonable time and for any
12 proper purpose, examine and make copies of the books and records of the corporation
13 at the principal office of the corporation.

14 (b) The corporation may charge a requestor an amount equal to the actual cost
15 of finding and duplicating documents requested under this section.

16 (c) The corporation may withhold books and records concerning the following
17 subjects:

18 (1) records required to be kept confidential by law;

19 (2) personnel records, to the extent that the records are not required to
20 be publicly disclosed by a state or federal agency;

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

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

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

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

31 (C) could reasonably be expected to endanger the life or

1 physical safety of an individual or to present a real and substantial risk to the
2 public health and welfare; or

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

5 **Sec. 42.50.220. Audits and examinations of corporation.** The corporation
6 shall be audited annually by an independent auditor. The board shall engage the
7 auditor, who shall be responsible to the board. The corporation shall submit copies of
8 each report of the auditor to the legislature and governor within 30 days after receipt
9 of the report by the corporation.

10 **Sec. 42.50.230. Dissolution, merger, consolidation, and disposition of**
11 **assets.** Without prior legislative approval, the corporation may not

12 (1) dissolve;

13 (2) merge or consolidate; or

14 (3) dispose of corporate assets other than in the ordinary course of
15 business.

16 **Sec. 42.50.240. Procedures for dispute resolution.** The corporation shall
17 establish a dispute resolution process in its bylaws. The dispute resolution process
18 must include, at a minimum,

19 (1) a requirement that disputes be initially brought before the board for
20 resolution;

21 (2) a requirement that the parties shall attempt to resolve a dispute that
22 is not resolved by the board through mediation;

23 (3) a requirement that the corporation and the disputing party shall
24 attempt to resolve a dispute that is not resolved by the board and is not resolved
25 through mediation through binding arbitration if allowed by the bylaws of the
26 corporation; and

27 (4) if not resolved by the board, through mediation, or through binding
28 arbitration, if allowed, a provision for resolution of the dispute through litigation in a
29 court of competent jurisdiction.

30 **Sec. 42.50.900. Definitions.** In this chapter, unless the context otherwise
31 requires,

1 (1) "affiliated electric utility" means an electric utility that is wholly
2 owned by one or more public utility members and by or through which one or more
3 public utility members obtain electric power or electric generation or transmission
4 services;

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

6 (3) "commissioner" means the commissioner of commerce,
7 community, and economic development;

8 (4) "cooperative" means an entity organized under AS 10.25;

9 (5) "corporation" means an energy and transmission corporation
10 organized under this chapter;

11 (6) "electrically interconnected" means interconnected at a minimum
12 transmission level of 69 kilovolts;

13 (7) "electric power" means electric energy and capacity;

14 (8) "electric utility" means a public utility, as defined in AS 42.05.990
15 that furnishes electrical generation, transmission, or distribution service;

16 (9) "member" means a member of the corporation under AS 42.50.050,
17 including public utility members;

18 (10) "public utility member" means a municipal or cooperative electric
19 utility that has an electric distribution service territory, that holds a certificate of public
20 convenience and necessity issued by the Regulatory Commission of Alaska, that is one
21 of the electric utilities that organizes an energy and transmission corporation or that
22 becomes a public utility member of the corporation under AS 42.50.050(b), and that
23 does not withdraw from being a member or public utility member under
24 AS 42.50.050(d) or (e);

25 (11) "ratepayers" means the ratepayers of the public utility members of
26 the corporation;

27 (12) "service territory of the corporation" means the combined service
28 territories identified in the certificates of public convenience and necessity issued by
29 the Regulatory Commission of Alaska for each of the public utility members of the
30 corporation.

31 * Sec. 7. AS 42.05.431(i), enacted by sec. 3 of this Act, is repealed.

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

3 **AUTHORIZATION TO FORM GREATER RAILBELT ENERGY AND**
4 **TRANSMISSION CORPORATION.** (a) Any combination of four or more of the following
5 public utilities may organize the Greater Railbelt Energy and Transmission Corporation, as an
6 energy and transmission corporation under AS 42.50:

- 7 (1) Homer Electric Association, Inc.;
- 8 (2) the City of Seward, Electric Utility Department;
- 9 (3) Chugach Electric Association, Inc.;
- 10 (4) the Municipality of Anchorage d/b/a Municipal Light and Power;
- 11 (5) Matanuska Electric Association, Inc.; and
- 12 (6) Golden Valley Electric Association, Inc.

13 (b) This section is contingent on the obligation that the corporation shall conduct,
14 under the direction of the Legislative Budget and Audit Committee, a management audit of
15 the corporation to be commenced on June 30, 2013, 2016, and 2020. The management audit
16 shall be conducted under methodologies and principles set out in volumes I (1988 ed.), II
17 (1992 ed.) and III (1995 ed.) of the Management Audit Manual published by the National
18 Association of Regulatory Utility Commissioners, Washington, D.C. The results of the
19 management audit shall be transmitted to the Legislative Budget and Audit Committee 180
20 days after the commencement of the audit. This obligation to conduct a management audit
21 shall be in addition to any audit obligation that may be required under an appropriation to the
22 corporation.

23 (c) This section authorizes the organization of the Greater Railbelt Energy and
24 Transmission Corporation, as required under AS 42.50.010(a), enacted by sec. 6 of this Act.

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

27 **CONDITIONAL EFFECT.** (a) Sections 3, 6, and 8 of this Act take effect only if four
28 or more of the listed public utilities deliver to the Alaska Energy Authority before 4:30 p.m.
29 on July 30, 2010, a letter of intent in the form and substance acceptable to the Alaska Energy
30 Authority, under which the listed public utility agrees to become a public utility member of
31 the Greater Railbelt Energy and Transmission Corporation. Each listed public utility that

1 meets the conditions described in this subsection shall, effective August 16, 2010, be a public
2 utility member of the Greater Railbelt Energy and Transmission Corporation. The listed
3 public utilities are as follows:

- 4 (1) Homer Electric Association, Inc.;
- 5 (2) the City of Seward, Electric Utility Department;
- 6 (3) Chugach Electric Association, Inc.;
- 7 (4) the Municipality of Anchorage d/b/a Municipal Light and Power;
- 8 (5) Matanuska Electric Association, Inc.;
- 9 (6) Golden Valley Electric Association, Inc.

10 (b) The executive director of the Alaska Energy Authority shall notify the lieutenant
11 governor and the revisor of statutes when any of the conditions described in (a) of this section
12 are met.

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

- 14 (1) "Alaska Energy Authority" means the authority created in AS 44.83.020;
- 15 (2) "Greater Railbelt Energy and Transmission Corporation" means the
16 corporation organized as an energy and transmission corporation under AS 42.50, enacted by
17 sec. 6 of this Act, as authorized by sec. 8 of this Act;
- 18 (3) "public utility member" has the meaning given in AS 42.50.900, enacted
19 by sec. 6 of this Act.

20 * Sec. 10. If secs. 3, 6, and 8 of this Act take effect under sec. 9 of this Act, they take effect
21 August 16, 2010.

22 * Sec. 11. Sections 1, 2, 4, 5, and 7 of this Act take effect August 16, 2015.

23 * Sec. 12. Except as provided in sections 10 and 11 of this Act, this Act takes effect
24 immediately under AS 01.10.070(c).

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 18, 2010

SUBJECT: Greater Railbelt Energy and Transmission Corporation; drafting issues (CSSB 143(ENE), Work Order No. 26-GS1041NE)

TO: Senator Lesil McGuire
Chair of the Senate Special Committee on Energy
Attn: Mike Pawlowski

FROM: Dennis C. Bailey *DB*
Legislative Counsel

This memorandum accompanies the draft CS requested. Please review the new draft carefully to ensure that the editing has not changed your intent. Please note the following issues that arose during drafting.

Give attention to the effective dates particularly in sec. 11 of the bill. The sections cited are not subject to a contingency, only a delayed effective date, so we've eliminated contingency language. We have also consolidated all of the effective dates in secs. 10 - 12. In general, the effective dates need to be clarified. Using repeal language may be an additional option to consider.

AS 42.05.431(h)(1) and (2), bill section 3, use "cost" instead of "funding" for consistency with the leading paragraph.

AS 42.05.711(q), added by sec. 5, states that a corporation organized under AS 42.50 is exempt from regulation under AS 42.05. This does not seem consistent with AS 42.05.431(i), added by sec. 3 or AS 42.50.100(b)(2). AS 44.83.396, referred to in sec. 42.50.010, requires that projects acquired or constructed as part of the former energy program for Alaska are owned and administered by the Alaska Energy Authority. Should this section be cross referenced, or an exception placed in AS 44.83.396?

Sec. 42.50.010(c) states that the corporation shall operate on a not for profit basis, but sec. 42.50.010(d) disclaims the application of AS 10.20 (Alaska Nonprofit Corporations Act). Do you also intend to disclaim application of AS 10.06? If not, it may apply. In a similar vein, I expect that you are aware that "members" is not normally a term used in the context of a corporation.

In sec. 42.50.050(b), can the directors decline to approve a public utility member for any reason?

Senator Lesil McGuire
March 18, 2010
Page 2

In sec. 42.50.050(c), is a vote required to allow an affiliated utility to become a member of the corporation?

Sec. 42.50.050(f) is confusing. Does it mean that a public utility member may withdraw but still be a member?

Under sec. 42.50.060(d), the members can authorize a change to the location of the principal office. Is this the only place where the membership acts in the place of the board? I suggest removing the reference to the member action in this subsection.

In sec. 42.50.070(b), the last sentence refers to other laws that apply. Does this mean other laws that apply to corporate bylaws? If other laws apply it is preferable to identify them by reference.

Sec. 42.50.180(b)(4)(B) seems to duplicate sec. 42.50.180(5). Can one or the other be removed?

Sec. 42.50.180(b)(7) is redundant and should be deleted.

In sec. 42.50.190, should the tax apply to electricity sold at retail by members, as well as the corporation?

Sec. 42.50.200 requires the board to publish its report, including audited financial statements on the Internet. Sec. 42.50.220 requires that the audit report be submitted to the legislature and governor within 30 days after receipt of the report by the corporation. While the provisions may not technically conflict, is a cross reference or clarification advisable?

Sec. 42.50.240(3) presents an ambiguity. Paragraph (3) states a mandatory requirement for dispute resolution, but permissively allows the bylaws to allow or not allow binding arbitration. Also, under sec. 42.50.240(4), if binding arbitration is required, litigation may be prohibited. I am not sure how to resolve these issues without further direction.

AS 42.50 may be subject to challenge as special legislation in violation of art. II, sec. 19 of the state constitution. Whether a measure amounts to local or special legislation, barred by the constitution is to be evaluated according to the test applied to nonsuspect classifications in equal protection cases. *State v. Lewis*, 559 P.2d 630, 643 (Alaska 1977) (upholding a three-way exchange of land, and the minerals it contained, among the State of Alaska, the United States, and a regional Native corporation); *Boucher v. Engstrom*, 528 P.2d 456, 463 (Alaska 1974) ("The classification must bear a reasonable and proper relationship to the purposes of the act and the problem sought to be remedied."). Thus, the court has said, when the legislature has singled out an area or group, it will examine the legislative goals and the means used to advance them [to] determine whether the legislation bears a "fair and substantial relationship" to legitimate purposes. If this

Senator Lesil McGuire
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Page 3

standard is satisfied, the bill will not be invalid because of incidental local or private advantages. Legislation need not operate evenly in all parts of the state to avoid being classified as local or special. *Lewis*, 559 P.2d at 643 (footnotes omitted).

DCB:ljw:plm
10-197.ljw

Enclosure

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS SB143 (RES)
 () Publish Date: _____

Identifier (file name): SB143CS(RES)-CED-AEA-3-22-10
 Title: Greater Railbelt Energy and Transmission Corporation
 Sponsor: Rules by Request of the Governor
 Requester: Senate Resources Committee
 Dept. Affected: DCCED
 RDU: Alaska Energy Authority
 Component: Statewide Project Development
 Component Number: 2888

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	155.0		155.0	155.0				
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	155.0	0.0	155.0	155.0	0.0	0.0	0.0	0.0

Capital Expenditures	2,395.0							
-----------------------------	----------------	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1012 Railbelt Energy Fund	2,550.0		155.0	155.0				
TOTAL	2,550.0	0.0	155.0	155.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This bill creates the framework for a Greater Railbelt Energy and Transmission Corporation. The fiscal note assumes Alaska Energy Authority (AEA) project management staff time and AEA admin support to assist in the formation of the Greater Railbelt Energy and Transmission Corporation (GRETC), including \$50,000 contractual costs for Department of Law assistance to AEA. AEA is to provide coordination of business development by providing project manager technical assistance, legal assistance and meeting space and coordination of meetings and document development. (\$155.0 contractual costs)

Prepared by: Sara Fisher-Goad, Deputy Director-Operations
 Division: Alaska Energy Authority
 Approved by: Emil Notti, Commissioner
Commerce, Community and Economic Development

Phone 907-771-3012
 Date/Time 3/24/10 12:00 AM
 Date 3/24/2010

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSSB 143 (RES)

ANALYSIS CONTINUATION

\$2,395 is made available for a 0% interest loan to GRETC develop the business structure of the new entity, contingent upon the delivery to AEA a letter of intent, in form and substance acceptable to AEA, from four or more of the railbelt utilities an agreement to become a member of GRETC.

The sum of \$2,395,000 is appropriated from the Alaska railbelt energy fund (AS 37.05.520) to the Alaska Energy Authority, as a debt obligation recoverable from GRETC as a cost of the formation the GRETC business structure.

The debt obligation is repayable to the railbelt energy fund(AS 37.05.520), with interest at 0 percent, amortized over a term not to exceed 10 years, recoverable by the Alaska Energy Authority. Further terms and conditions of the debt obligation will be determined by AEA.

The estimated costs of the business formation are as follows:

Program management	173.0
Finalize business structure	608.0
Secure new facility	116.0
Develop Business P&P's	142.0
Complete operations transition planning	46.0
HR recruiting and planning	114.0
Develop IT infrastructure	203.0
Develop Business Systems	404.0
Training	77.0
Transition and cutover execution	58.0
IT software and hardware/office equipment	454.0
Total	<u>2395.0</u>

SB 143
Sectional Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Greater Railbelt Energy and Transmission Corporation - GRETC

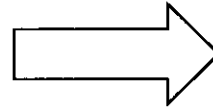
A New Not-for-profit Energy and Transmission Company

Senate Resources Committee

March 17th, 2010

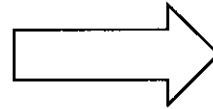
How we got here

- ⊗ REGA Study
- ⊗ Business Case for a new Railbelt G&T Company



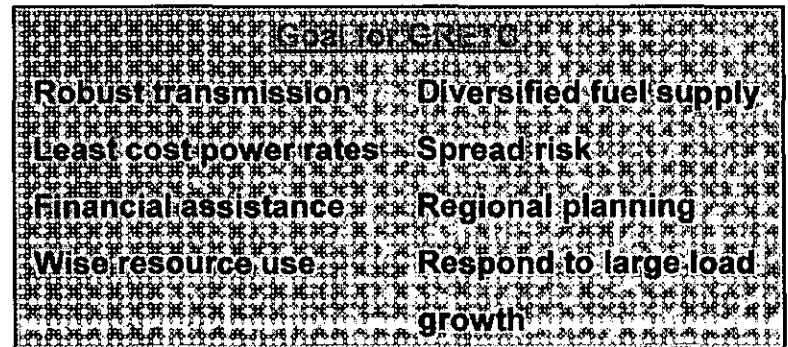
- ⊗ GRETC Legislation: 2009
- ⊗ Senate Bill 143
- ⊗ House Bill 182

- ⊗ Joint Electric Utility Board Meeting
- ⊗ First of it's kind
- ⊗ Letter to Governor
- ⊗ Formation of Task Force



- ⊗ GRETC Legislation: 2010
- ⊗ Committee Substitute requested

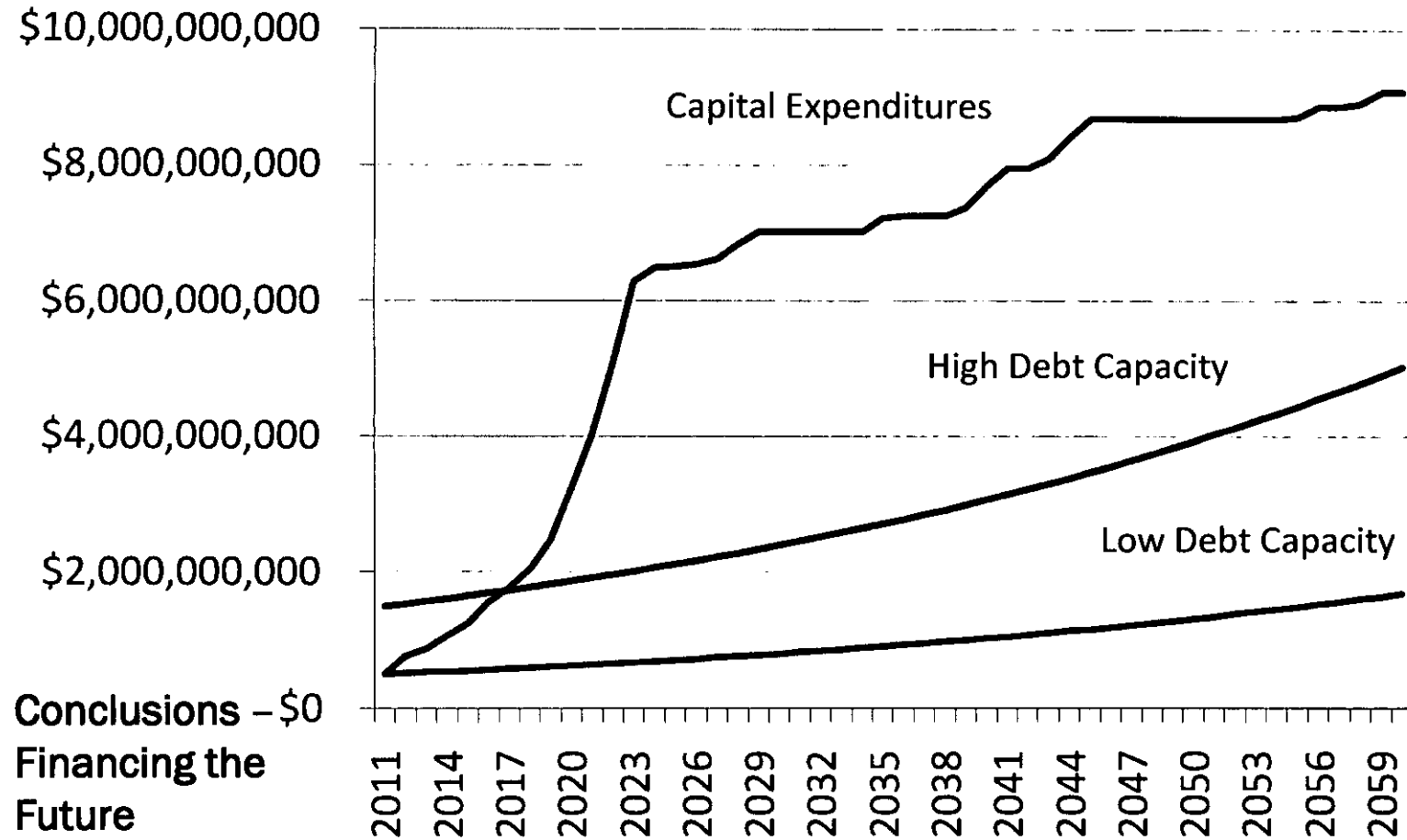
- Railbelt Integrated Resource Plan
- Economically schedules what, when, and where to build G&T, based on available fuel and energy supplies
 - 50-year time horizon



GRETC = Greater Railbelt Energy and Transmission Company

A Comprehensive Plan for the Alaska Railbelt

RIRP Plan 1A Capital Expenditures and Debt Capacity of the Railbelt Utilities



Conclusions - \$0
Financing the
Future

Source: B&V RIRP report, Seattle Northwest Securities

A BRIEFING TO DESCRIBE THE CORPORATION

- × *How is this new GRETC different from what was proposed in the 2009 legislature?*
- × Topics for discussion to gain this understanding
 - + 1. *Governance*
 - + 2. *Powers of Corporation*
 - + 3. *External Controls for Corporation Activities*
 - + 4. *Initial Tasks for GRETC*

1. GOVERNANCE

- ✘ Private, not for profit statutory corporation, with board of directors
 - + 2 board members from each Railbelt public Utility member
 - + 1 public board member
- ✘ Each board member has equal vote
- ✘ Board required to designate a chief executive officer
- ✘ Employees of GRETC not State Employees
- ✘ All board processes public
- ✘ GRETC required to develop bylaws

1. GOVERNANCE - MEMBERSHIP IN GRETC

- ⊗ Public Utility Members – Those Railbelt Utilities with Service Areas and retail customers, who are interconnected with the Railbelt Electrical Grid.
- ⊗ Members – Other entities that purchase services from the corporation
- ⊗ Membership requires 2/3 vote of board

2. POWERS OF CORPORATION

- ✘ Provide wholesale electric power to public utility members at lowest reasonable long-term cost
- ✘ Business purpose – acquisition, construction or development of generation and transmission assets, and ancillary services. Examples are
 - ✘ Procure fuel supplies
 - ✘ Develop operating standards for service territory of the corporation
 - ✘ Develop generation and transmission projects

2. POWERS OF CORPORATION – DIFFERENCES FROM 2009 LEGISLATION

- ✘ The new GRETC – in contrast to last year’s bill
 - + *Now a voluntary organization*
 - + *Subgroups of utilities can develop G&T projects outside of GRETC, and still serve on the board and purchase services from GRETC.*
 - + *Be the primary recipient of state financial aid*
 - + *GRETC is not directed to become an all-requirements provider of wholesale power for the Railbelt – flexibility in approach to develop future Railbelt G&T infrastructure.*
 - + *AEA Integrated Resource Plan provided as a resource to GRETC – requirement to follow removed.*
 - + *Requires at least 4 Railbelt Utilities to join for formation.*

3. EXTERNAL CONTROLS

✕ Areas of Oversight

- + Consumer Protection
- + Financial Oversight
- + Effectiveness of Corporation

∞ Protections

- RCA economic regulation for a 5 year sunset
- Management audits at 3 year intervals for 10 years

4. INITIAL TASKS FOR GRETC – FORM THE COMPANY

- + Form the Board of Directors
- + Develop, consider and approve Corporate Bylaws
- + Establish staffing plan
- + Establish relationship with Alaska Energy Authority
 - support agreements
- + Develop time line for critical actions – for GRETC to begin its business functions

4. INITIAL TASKS FOR GRETC – START THE WORK

- ✘ Identify task list for GRETC
 - + Develop Integrated Resource Plan
 - ✘ State Sponsored Railbelt Integrated Resource Plan will be available for use by GRETC
 - + Priority list of projects, business functions, and contractual agreements
 - + Develop Capital Improvements Plan
- ✘ Begin Critical Infrastructure capital projects

✕ Questions?

The Alaska Intertie Electric Transmission Line

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

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

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

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

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

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

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

The AEA project manager sits on the Intertie Operating Committee, which handles all technical and financial matters for the intertie project. The agreement specifies that the transmission rate be determined each year based on proposed schedules for use and annual budgets. At the end of the year, actual costs and power transmitted are used to true up costs. AEA receives no revenue from the project, and recovers only its program management costs from the annual budget. ' 1

Bradley Lake Hydroelectric Project

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

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

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

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

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

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

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

Bradley Lake Hydroelectric Project

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

Note 1: AEG&T power flows as follows:

Homer Electric Association at (12.0%)
Matanuska Electric Association at (13.8%)

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

CHUGACH

RESOLUTION

01 01 10

WHEREAS, Chugach Electric Association, Inc. (Chugach) participated in the Alaska Energy Authority's Railbelt Electrical Grid Authority (REGA) study, published September 12, 2008, which identified significant economic benefits to Railbelt electric utilities from joint utility operations; and

WHEREAS, the formation of the Greater Railbelt Energy and Transmission Corporation (GRETC) is a way to unify Railbelt utilities; and

WHEREAS, the GRETC can provide regional generation and transmission (G&T) planning on behalf of Railbelt utilities; and

WHEREAS, the GRETC can secure adequate fuel supplies for existing and planned generation resources while concurrently developing and promoting renewable and alternative energy projects to diversify the generation portfolio; and

WHEREAS, the GRETC, with State financial assistance, can best meet the extensive capital investment needs for the expansion and modernization of the Railbelt's G&T infrastructure; and

WHEREAS, the stated purpose of GRETC is to provide all Railbelt utilities with access to reliable and affordable long-term wholesale power supplies.

NOW THEREFORE, BE IT RESOLVED, Chugach shall support House Bill No. 182, attached, enacting the establishment of the Greater Railbelt Energy and Transmission Corporation.

CERTIFICATION

I, Alex Gimarc, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 27th day of January, 2010; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 27th day of January, 2010.

(Seal)


Secretary



Homer Electric Association, Inc.

Corporate Office
3977 Lake Street
Homer, Alaska 99603-7680
Phone (907) 235-8551
FAX (907) 235-3313

Central Peninsula Service Center
280 Airport Way
Kenai, Alaska 99611-5280
Phone (907) 283-5831
FAX (907) 283-7122

RESOLUTION 10-11 SUPPORTING DRAFT HOUSE BILL 182

WHEREAS, the Railbelt Utilities, working cooperatively with the Alaska Energy Authority have authored legislation in the form of draft House Bill 182 (January 21, 2010), for the purpose of establishing the Greater Railbelt Energy and Transmission Company (GRETC); and

WHEREAS, the GRETC is intended to ensure adequate, reliable, safe and stable wholesale electric power to public utility members on a non-discriminatory basis, at the lowest reasonable long-term cost; and to be the primary recipient of state financial assistance provided to support the acquisition, construction or development of generation and transmission assets, and ancillary services and assets, for the electric utility members of the corporation; and

WHEREAS, representatives of staff and Board of Directors of the Cooperative have participated in developing the legislation; and


WHEREAS, the Board of Directors is committed to continuing to work in good faith toward the development of an organization created to advance the above purposes;

NOW, THEREFORE;

BE IT RESOLVED that the Board of Directors of Homer Electric Association, Inc. hereby supports the passage of House Bill 182 in the form presented to the Board and commits the Cooperative to work in good faith to secure the benefits resulting from cooperative efforts with other Railbelt Utilities.

CERTIFICATION

I, David B. Thomas, do hereby certify that I am Secretary of Homer Electric Association, Inc., and that the foregoing resolution was adopted at a meeting of the Directors of Homer Electric Association, Inc., held on January 27, 2010, at which meeting a quorum was present.



David B. Thomas, Secretary

Submitted by: Chair of the Municipal
Light & Power Utility
Board of Directors
Date: January 27, 2010

ANCHORAGE, ALASKA
Resolution No. 2010- 01

1 A RESOLUTION OF THE ANCHORAGE MUNICIPAL LIGHT AND POWER UTILITY BOARD
2 OF DIRECTORS REGARDING THE JOINT UTILITY TASK FORCE OMNIBUS REVISION TO
3 HB 182 NOW SET TO BE FILED WITH THE ALASKA STATE LEGISLATURE
4

5 WHEREAS, the Anchorage Assembly and Mayor of Anchorage have by ordinance delegated to the
6 ML&P Board the independent operation, management and oversight of the utility; and
7

8 WHEREAS, two representatives of the ML&P Board of Directors and senior members of management
9 have participated with the Joint Utility Task Force in an effort to propose and acquire support of
10 modifications to the original version of HB 182 introduced by the Alaska Energy Authority during the
11 2009 legislative session to create the Greater Railbelt Energy and Transmission Corporation (GRETC)
12 necessary to address concerns ML&P and the Board had with the original proposed legislation, and
13

14 WHEREAS, changes have been made to the original version of HB 182 such that the Board of Directors
15 and management are reasonably confident that the interests and rights of ML&P and its ratepayers are
16 adequately provided for and protected by the JOINT UTILITY TASK FORCE OMNIBUS REVISION
17 TO HB 182 (attached);
18

19 NOW THEREFORE, THE ML&P BOARD OF DIRECTORS RESOLVES THAT:
20

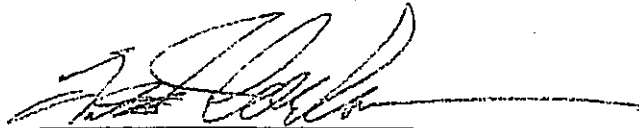
- 21
- 22 • The Board and management will continue to positively participate in discussions with
23 the Joint Utility Task Force and in the legislative refinement of the JOINT UTILITY
24 TASK FORCE OMNIBUS REVISION TO HB 182 and will respond to any proposed
25 modification or amendments to this bill in a manner that tries to harmonize the
26 interests of ML&P, its rate payers, and the Municipality of Anchorage with those of
27 other Railbelt utilities.
 - 28 • ML&P's position on this bill at this time should in no manner be construed as a
29 decision or recommendation for ML&P to join, or not to join GRETC. That decision
30 will be made once a bill is finalized and the form and content of a Letter of Intent with
31 the Alaska Energy Authority has been established.
32

33 PASSED AND APPROVED by the ML&P Board of Directors this 27th day of January, 2010.
34

35 ATTEST:

36 

37 Linda R. Davidovics
38 ML&P Utility Board Secretary
39



Ted R. Carlson, Chairman
ML&P Utility Board of Directors

Memorandum

To: City of Seward, City Council
CC: Phillip Oates, City Manager
From: John Foutz, Electric Utility Manager
Date: 1/28/2010
Re: Update on the GRETC Legislation

For the past four weeks the joint utility task force has been meeting in Anchorage to finalize the GRETC legislative bill. In the legislature this bill is known as HB182. All six railbelt utilities as well as members from various state agencies attended the four meetings.

The primary reason for the meetings was to finalize the language in HB182 that can be agreeable to all six utilities as well as some added language from the state. One of the primary concerns expressed by some of the utilities was a need for voluntary participation, while a concern of the states was some protection for financial obligations. At this time both criteria seem to be addressed adequately.

Some other concerns articulated by the utilities were:

1. Control of the new enterprise by the utilities.
2. No Regulation by the RCA.
3. The decision to include further utilities in the future should be left to the discretion of the utilities and not the state.
4. And assurances this course of action is following the same guidelines as the Bradley Lake Project model.

The state insisted that three items be included into this bill.

1. The new entity will be the primary recipient for state funds.
2. The organization have the ability to collect funds to help pay for depreciation of future projects.
3. The business will be charged with being the moderator for a standard of reliability and interconnectivity.

The essence of the document has support by the six utilities and the state; all that is required is the correct language. The task force is currently working on final language to present to the states legislative body, with a meeting on Thursday, January 21st and quite possibly another meeting during the week of January 25th – 30th.

Agenda Statement

Meeting Date: November 24, 2009

To: Phillip Oates, City Manager

From: John Foutz, Electric Utility Manager

Agenda Item: Support Of The Greater Railbelt Energy And Transmission Corporation



BACKGROUND & JUSTIFICATION: Leaders of Chugach Electric Association, Matanuska Electric Association and the City of Seward held a joint meeting on November 20, 2009 and moved forward in support of legislation to create the Greater Railbelt Energy and Transmission Corporation, or GRETC. The organizations outlined their vision in a resolution that noted many of the benefits the new organization would bring. These include joint planning, state-assisted financing, and utility technical expertise to operate and maintain projects.

The organizations note that the successful Bradley Lake hydroelectric project provides a model for GRETC activities. Bradley Lake is a state-owned, utility-operated project whose low-cost power is shared through power sales contracts with each of the six Railbelt electric utilities. The state provided the financing for Bradley Lake through a combination of grants and bonds, with the utilities covering the debt service in exchange for power from the project.

Legislation to create GRETC was introduced in both the House and Senate earlier this year, but the legislature adjourned with the bills still in the energy committees of the two bodies. Legislators and utilities have devoted a great deal of time to energy issues during the interim, and the GRETC bills will continue to receive attention when the legislature reconvenes in 2010.

The GRETC concept of a single Railbelt organization to provide generation and transmission services emerged from a study of how the region's grid works today and how it could best meet the needs of Alaskans in the future. The Railbelt Electrical Grid Authority study, completed in September 2008, was led by the Alaska Energy Authority with funding from the legislature. The REGA study identified an average annual present worth net savings of between \$10.5 and \$30.9 million which equates to between a 3.6% to 10.1% net savings for Railbelt consumers. In a related effort, the AEA is currently doing an integrated resource plan to determine how to meet the generation needs of the Railbelt for the next 50 years.

The Parnell administration, like the Palin administration before it, continues to support the GRETC legislation. The governor's senior energy advisors and AEA leadership have met repeatedly with Railbelt electric utilities to discuss the legislation and seek consensus on the issues.

A task force of the boards of all Railbelt electric utilities will continue their work on GRETC and related issues.

INTENT: The City of Seward will confirm their support for the GRETC concept.

CONSISTENCY CHECKLIST: Where applicable, this agenda statement is consistent with the Seward City Code, Charter, Comprehensive Plans, Land Use Plans, Strategic Plan and City Council Rules of Procedures or Other Plans or Policies:

FISCAL NOTE:

No known fiscal impact at this time.

Approved by Finance Department: *Ruiter Archney*

ATTORNEY REVIEW: Yes _____ No X

RECOMMENDATION: The City Council pass resolution 2009-133, showing support for GRETC and encouraging additional Railbelt utilities to support the GRETC legislation.

**CITY OF SEWARD, ALASKA
RESOLUTION 2009-133**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SEWARD, ALASKA, IN SUPPORT OF THE GREATER RAILBELT
ENERGY AND TRANSMISSION CORPORATION**

WHEREAS, Chugach Electric Association (CEA), Malanuska Electric Association (MEA) and the City of Seward (COS) jointly support the establishment of the Greater Railbelt Energy and Transmission Corporation (GRETC) and will collectively work with the Alaska Energy Authority (AEA) to incorporate proven business concepts into the current Legislation (HB182 and SB143) establishing GRETC; and

WHEREAS, the stated purpose of GRETC is to provide all Railbelt electric utilities with access to reliable, long-term, wholesale power supplies at stable prices; and

WHEREAS, to fulfill this purpose GRETC must acquire adequate fuel supplies for existing and planned generation resources while concurrently developing and promoting renewable and alternative generation and regional transmission projects that can diversify power supply resources; and

WHEREAS, GRETC will best succeed based upon a private/public partnership with a unified business structure that incorporates rational economic decision making, lowest financing costs and provides business continuity through technical competence, and corporate leadership; and

WHEREAS, the Railbelt electric grid has significant capital investment needs, and GRETC in cooperation with the Alaska Energy Authority (AEA) and state-assisted financing can provide the lowest cost financing and reduce the risk to individual utilities; and

WHEREAS, GRETC can provide regional generation and transmission planning for the benefit of all Railbelt utility customers through an Integrated Resource Plan (IRP) process and this process will support rational funding decisions for future generation and transmission projects; and

WHEREAS, through the GRETC planning process, all Railbelt utilities will benefit from increased reliability and over time GRETC will endeavor to provide equal reliability for all service territories within its jurisdiction; and

WHEREAS, the Bradley Lake hydroelectric project is one example of a project that has been successful based upon state-assisted financing through AEA and the combined strengths of the Railbelt electric utilities to manage and operate highly technical generation and transmission facilities; and

**CITY OF SEWARD, ALASKA
RESOLUTION 2009-133**

WHEREAS, AEA has completed the Alaska Railbelt Electrical Grid Authority (REGA) study (September 2008) the identified economic benefits of joint utility operations, but acknowledged the need for a transition period due to complexities of existing utility ownership and contractual arrangements; and therefore the following guidelines are suggested to allow for a successful transition to GRETC:

- Existing utility generation, transmission, and fuel assets may be cooperatively integrated into GRETC operation based upon a range of options (sale, lease, or other beneficial operating agreements) at the option of the utilities owning such assets,
- Utilities may participate through sales agreements with GRETC for desired services,
- Existing power sales agreements will not change except under terms mutually acceptable to all parties,
- During transition to GRETC, operation of the interconnected system may be governed by a single set of interconnection guidelines that will be jointly established by GRETC and the utilities,
- Power sales arrangements and ancillary services can be made available to participating utilities that need services which cannot be provided by GRETC initially and these services can be available through bilateral contract arrangements; and

WHEREAS, The Railbelt utilities have energy service needs that have not historically been undertaken by all utilities and GRETC can provide these services on a bundled or unbundled basis for the benefit of all. These services can include:

- Planning reserves
- Operating reserves
- Base load power
- Power dispatch
- Wind integration
- Acquisition of Independent Power Producer (IPP) Renewable resource projects (reduces coordination from six utilities to one)
- G&T project management
- Fuel supply aggregation, acquisition, storage and scheduling
- Grant application processing and management
- Other services as deemed appropriate by the GRETC board of directors; and

WHEREAS, GRETC will offer services based on uniform rates for like services and utilities will pay for services they receive under standard tariffs or contract arrangements; and

WHEREAS, GRETC will be regulated through the GRETC board of directors and under a state regulatory regime that will allow the best value for Railbelt customers; and

**CITY OF SEWARD, ALASKA
RESOLUTION 2009-133**

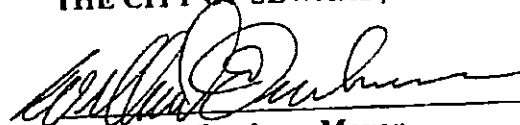
**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY
OF SEWARD, ALASKA that:**

Section 1. The City of Seward, along with CEA and MEA, encourage Homer Electric Association (HEA), Municipal Light and Power (ML&P) and Golden Valley Electric Association (GVEA) to support and join GRETC; and

Section 2. The City of Seward, CEA and MEA jointly support the creation of GRETC using proven business concepts that will provide reliable, stable and affordable G&T services to our customers.

PASSED AND APPROVED by the City Council of the City of Seward, Alaska, this 24th day of November, 2009.

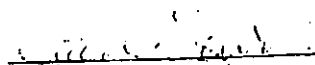
THE CITY OF SEWARD, ALASKA



Willard E. Dunham, Mayor

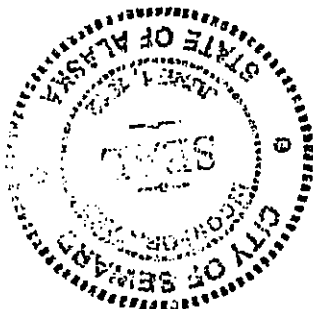
AYES: Valdatta, Bardarson, Smith, Keil, Shafer, Amberg, Dunham
NOES: None
ABSENT: None
ABSTAIN: None

ATTEST:



Jean Lewis, CMC
City Clerk

(City Seal)



Connie Owens

From: Susan K. Redlin [SKRedlin@gvea.com]
Sent: Thursday, January 28, 2010 11:15 AM
To: Connie Owens
Subject: RE: GRETC Resolutions (GVEA's support was through a motion)

Mr. Schikora gave an overview on the history of GRETC.

Mr. Schikora then moved to support the GRETC legislation substantially in the form as presented with a fourth Must Have being NO RCA Regulation of GRETC projects or purchasers of the output from those projects. Mr. Bergh seconded the motion. Following discussion, the motion carried.

From: Connie Owens [mailto:Connie_Owens@chugachelectric.com]
Sent: Thursday, January 28, 2010 10:56 AM
To: Susan K. Redlin
Subject: FW: GRETC Resolutions

Can you forward what your board passed to me?

From: Connie Owens
Sent: Wednesday, January 27, 2010 10:06 AM
To: 'Susan K. Redlin'; j Foutz; 'Pattie Worrell'; 'Gamble, Teresa'; 'Davidovics, Linda'
Subject: GRETC Resolutions

Can you please forward a copy of the resolution passed by your utility in regard to the GRETC Legislation today?

I understand ML&P doesn't meet until noon and our board meeting is tonight.

As soon as I get all of them, I will make sure that all of the utilities get copies. Thank you.

Connie Owens

From: Pattie Worrell [Pattie.Worrell@matanuska.com]
Sent: Wednesday, January 27, 2010 10:32 AM
To: Connie Owens
Subject: RE: GRETC Resolutions

Connie,

MEA's Board action was a motion that the Board support the Committee Substitute for House Bill 182 that creates the Greater Railbelt Energy and Transmission Corporation (GRETC). The motion carried unanimously January 25, 2010.

Pattie

From: Connie Owens [mailto:Connie_Owens@chugachelectric.com]
Sent: Wednesday, January 27, 2010 10:06 AM
To: 'Susan K. Redlin'; j Foutz; 'Pattie Worrell'; 'Gamble, Teresa'; 'Davidovics, Linda'
Subject: GRETC Resolutions

Can you please forward a copy of the resolution passed by your utility in regard to the GRETC Legislation today?

I understand ML&P doesn't meet until noon and our board meeting is tonight.

As soon as I get all of them, I will make sure that all of the utilities get copies. Thank you.



Golden Valley Electric Association
A TRADITIONAL ENERGY COMPANY

April 9, 2009

Governor Sarah Palin
State Capitol, Third Floor
Juneau, Alaska 99801

Dear Governor Palin:

On behalf of our respective Railbelt electric utilities, we are writing to thank you for your efforts to bring us together for a serious consideration of the best way to meet the future generation and transmission needs of our organizations. We very much appreciate the resources you have committed to this process, beginning with the Railbelt Electrical Grid Authority (REGA) study and progressing through the development of the Greater Railbelt Energy and Transmission Corporation legislation. Your administration has done an outstanding job in leading this effort. We particularly appreciate the efforts of Mr. Joe Balash and Mr. Jim Strandberg for their individual commitments.

Your efforts led to a notable meeting. On April 7th, 2009, a joint meeting was held of the governing bodies of the six Railbelt electric utilities. We came together to discuss the legislation and how the joint G&T could benefit our individual utilities. What we discovered is that utilities generally agree on the G&T concept but have concerns on specific transition issues. The governing members were also concerned about the state's role and what commitment the state would have in providing financial assistance for development of generation and transmission infrastructure. It was this premise that drove the REGA study recommendations for a state authority. While we understand that a finance plan was part of the transition plan, its existence is paramount to choosing this G&T structure over other alternatives.

The utility governing bodies want to move this process forward and have agreed to form a governing body task force to learn more about the specific transition issues. We look forward to

working with the administration and are committed to dedicating the required resources to make this a success.

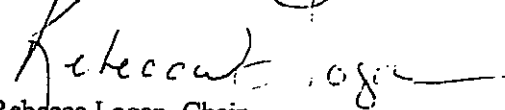
The task force should meet no later than May 8th, 2009 to begin the process. We invite the administration to meet with us to develop a work plan to address the various transition issues of concern. To fund these transition issues, we recommend the legislature appropriate approximately \$1.5 million from the Railbelt Energy Fund to the Alaska Energy Authority.

Once again, thank you Governor Palin for your leadership on this issue. We very much appreciate your support as we investigate the best way to provide reliable, affordable electricity for Railbelt Alaskans.

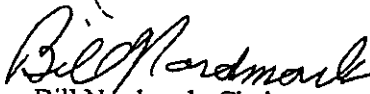
Sincerely,



Wilfred Abbott, Chair
Anchorage Municipal Light & Power



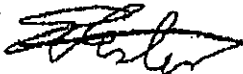
Rebecca Logan, Chair
Chugach Electric Association



Bill Nordmark, Chair
Golden Valley Electric Association



Deborah Debnam, Chair
Homer Electric Association



Lois Lester, Chair
Matanuska Electric Association

Clark Corbridge, Mayor
City of Seward

901 Clark Corbridge Mayor.

By Willard E. Dunham Vice Mayor.

WILLARD E. DUNHAM, VICE MAYOR.
CITY OF SEWARD.