

ALASKA LEGISLATURE

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an option to convert to a net requirements customer by giving five years' notice. As discussed above, it does not appear likely that MEA would find an economical replacement source for its needs. Load growth is expected to occur at an overall compounded rate of 2.1%, with the retail sector increasing at 1.6% and the wholesale at 2.6%. The result is that the projections anticipate a continuation of the trend of high MFI and equity. MFI is projected at 1.25 in 2002 and beyond, and equity is projected to increase to over 26%. These ratios are strong for the cooperative G&T sector. Debt service coverage is very high at over 2.0x, but this is because nearly all of Chugach's debt is non-amortizing. Projected funds from operations coverage of interest is much lower, ranging from 1.40x to 1.70x over the next five years, and is actually somewhat thin for a utility with largely non-amortizing debt, as described below.

Chugach Electric Association, Alaska's Ratios						
	1996	1997	1998	1999	2000	Through November 2001
Equity/assets (%)	21.7	22.5	23.7	23.6	23.9	23.6
Equity/capitalization (%)	25.3	25.9	27.2	26.7	29.2	26.3
Current ratio (x)	1.07	1.34	1.12	1.21	0.53	1.05
Debt/equity (x)	3.27	3.13	2.93	2.95	2.59	2.95
Accounts receivable/operating revenues (%)	11.4	16.7	12.2	12.6	14.0	12.0
Cash/operating expense (%)	6.8	5.7	2.6	4.5	1.6	3.2
Days' cash	25	21	10	17	6	12
Receivables collections period (days)	42	61	44	46	51	44

■ Debt and Debt Structure

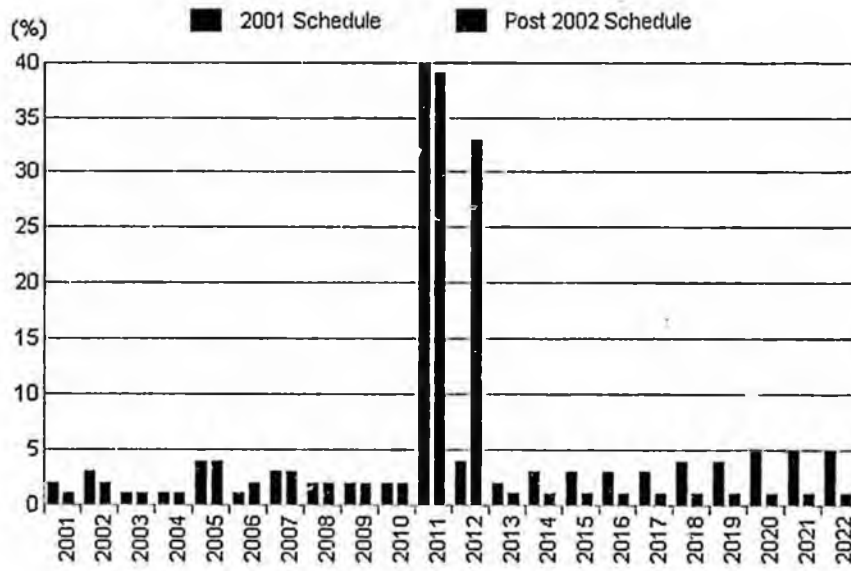
One of Chugach's strengths is that it will fund virtually all of its capital expenditures through internally generated cash after the issuance of series 2002. Available cash more than covers anticipated capital expenditure from 2003 to 2006. Capital expenditures average about \$30 million per year, fairly evenly apportioned between distribution, generation, and transmission projects. The largest projects are for work on the Beluga 6 and 7 units and a contribution toward the Southern Intertie and South Anchorage transmission project. Chugach does not expect to need a meaningful amount of new capacity until after 2010, and even then it could curtail its interruptible or economy sales or even dip into its 30% reserve requirement.

The cooperative's overall debt structure changes substantially with the issuance of series 2002, continuing a trend toward greater reliance on bullet maturities and the refinancing risk they present, and away from a traditional amortization structure. The issuance of the \$150 million series 2001 introduced refinancing concerns when, with its issuance, 40% of total principal then outstanding matured in 2011. Series 2002A exacerbates this concern in that it is a \$120 million bullet due in 2012, resulting in 39% of total outstanding debt due in 2011 and 33% in 2012. Even so, it is important to note that Chugach's debt service schedule after the issuance of series 2002 remains virtually the same through 2010 as it was after the issuance of series 2001.

No other cooperative has assumed refinancing risk to the degree that Chugach does with its series 2001 and 2002 bonds. Standard & Poor's does not take rating action at this time to reflect the increased risk because of Chugach's historically strong finances, access to credit markets (including lines of credit from institutions dedicated to serving the cooperative sector), the remoteness of the need to refinance (nine years), and the fact that Chugach includes depreciation in its rates, suggesting that over the course of the decade to come, the cooperative could generate sufficient cash to repay the bullet if it chose to do so.

The issuance of series 2002 releases Chugach from its existing indenture and allows the amended and restated indenture dated April 1, 2001, to take effect. Please refer to the March 9, 2001 analysis on Ratings Direct on Chugach for a full review of the implications of the amended and restated indenture.

Chugach's Amortization Schedule



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Update on U.S. Electric Cooperative Sector Ratings

Publication date: 19-Feb-2004

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Standard & Poor's Ratings Services maintains published ratings on about one-third of America's electric generation and transmission (G&T) cooperatives. The wholesale electricity generated and procured by these utilities serves the energy needs of their member distribution cooperatives' retail customers. All of the G&T co-ops rated by Standard & Poor's have investment-grade ratings (see table). More than half of the ratings assigned by Standard & Poor's to G&T co-ops are in the 'A' rating category. The weakest rating currently assigned to a G&T cooperative is 'BBB' and the strongest is 'AA'. This ratings distribution reflects operational and financial profiles and business strategies that have largely insulated these utilities from some of the extreme volatility that has plagued many energy companies in recent years.

U.S. Electric Co-op Ratings		
	Rating	Outlook
Associated Electric Co-op Inc.	AA	Stable
Central Electric Power Co-op Inc.	AA	Stable
Georgia Transmission Corp.	AA	Negative
Dairyland Power Co-op	AA-	Stable
Arkansas Electric Co-op Corp.	AA-	Stable
Buckeye Power Inc.	A+	Stable
Old Dominion Electric Co-op	A+	Stable
Basin Electric Power Co-op	A+	Stable
Central Iowa Power	A	Stable
Oglethorpe Power Co-op	A	Stable
Seminole Electric Co-op	A	Negative
Tri-state Generating & Transmission Assoc.	A	Stable
Hoosier Energy Rural Electric Co-op Inc.	A	Negative
Wabash Valley Power Inc.	A-	Stable
Brazos Electric, TX	A-	Stable
Chugach Electric Assoc.	A-	Negative
Alabama Electric Co-op Inc.	BBB+	Stable
Western Farmer's Electric Co-op	BBB+	Stable
Great River Energy	BBB	Developing

G&T co-ops were created through the pooled efforts of electric distribution cooperatives. By banding together to build G&T assets to serve the amalgamated load of a group of utilities, distribution co-ops have achieved economies of scale that would likely have eluded them if they had each separately built the generation or transmission assets needed to meet their customers' needs or individually negotiated agreements for the purchase of generation and transmission services.

Although some cooperatives have seen a portion of their rural service territories transformed into prosperous suburbs of major metropolitan areas, for the most part electric co-ops serve far-flung, sparsely populated areas that exhibit below-average income levels. Many G&T cooperatives' credit ratings transcend the weak demographic profiles exhibited by the retail distribution systems that form the backbone of their revenue streams. Moreover, the G&T ratings tend to eclipse the ratings assigned to investor-owned utilities.

Several factors explain the differences in credit quality between G&T cooperatives and investor-owned utilities. Some of the leading reasons are:

- Absent a severe economic dislocation in a G&T's service territory that either results in customer migration or renders customers unable to afford electric service, the requirements contracts between a G&T and its members should provide a secure revenue stream that supports trade and debt obligations if the requirements contract, as is most often the case, mirrors the term of the utility's debt;
- Revenue stream stability is also reflective of usage patterns and low customer density that tend to make electric cooperative loads unattractive to competitive suppliers;
- Unlike investor-owned utilities, many distribution and G&T cooperatives have autonomous rate-setting authority and are free from regulatory oversight, including the delays and political vagaries associated with rate regulation;
- Ratemaking authority empowers cooperative utilities to implement timely cost recovery in response to volatile fuel and electricity markets;
- Co-ops benefit from access to low-cost, amortizing debt available from the federal government and cooperative lending institutions;
- It is rare for co-ops to pursue noncore businesses to enhance revenues because the cooperative ownership structure removes the profit motive that influences investor-owned companies' business strategies; and
- There is an element of positive self-selection among those cooperatives that use credit ratings.

These attributes that are common to co-ops with sound credit quality were distilled using the analytical framework employed by Standard & Poor's in its evaluation of all electric utilities, including electric cooperatives. Standard & Poor's analytical evaluation of utilities, regardless of ownership structure, focuses heavily on qualitative factors that define the strength of the financial performance that a utility must demonstrate to support a given rating. The quantitative assessment of all utilities is predicated on the qualitative analysis of six principal areas:

- The utility's operational profile;
- An examination of the markets served by the utility;
- The utility's competitive posture;
- An examination of the regulatory environment where the utility operates, including the ratemaking flexibility available to the utility;
- The strengths that the management team brings to the table; and
- The strength of the bondholder or lender protections provided by the bond indenture or other financing documents.

The application of these principles has by and large translated into sound credit quality for rated co-ops. However, the positive characteristics that are shared by many cooperatives are not ubiquitous. Over time, Standard & Poor's has lowered the ratings of a number of G&T co-ops and assigned negative outlooks to the ratings of others. These rating actions were taken in response to eroded creditor protections and were attributable to different causes.

Several utilities' credit ratings were reassessed because of weakening or weakened debt-service coverage. Bondholder and lender protection are closely linked to the capacity of the revenue stream to consistently provide excess coverage of amortizing debt service. Co-ops tend to exhibit margins that are narrower than those of vertically integrated utilities with similar ratings. Therefore, an erosion of coverage can have a pronounced effect on credit quality.

Standard & Poor's traditionally has correlated co-ops' modest excess coverage with sound ratings because of the autonomy that permits them to quickly adjust rates in response to deviations from projected levels of revenues and expenses, as well as the benefits provided by the breadth of their customer bases. The G&Ts rated by Standard & Poor's serve either directly or indirectly an average of 28 distribution cooperatives. This level of diversity is viewed as protective of creditors. It is Standard & Poor's opinion that the risk of multiple simultaneous defaults among a diverse pool of distribution co-ops is slim. Importantly, should a distribution co-op fail to discharge its financial obligations to the G&T, the G&T typically can

recoup defaulted payments from nondefaulting members. This can be accomplished through intrayear budget adjustments.

Despite the budgetary and ratemaking tools that are generally available to co-ops, as fuel and electricity prices rose sharply in recent years, net revenues coverage of debt obligations slipped at several G&T co-ops that were reluctant to adjust wholesale rates to preserve the financial cushion associated with excess margins. In turn, the degradation of the cushion eroded bondholder and lender protection at these co-ops. Affected co-ops included Hoosier Energy and Seminole Electric, whose 'A' ratings were assigned negative ratings outlooks. Hoosier later implemented a power-cost tracker to reduce its market exposure. Alabama Electric's rating was lowered to 'BBB+' as a result of degraded coverage margins that reflected increased costs and the burdens created by its investment in a propane business. Self-regulation and the ability to adjust rates can only provide value that translates into creditor protection if a utility's board demonstrates the will to exercise that authority by adjusting rates to preserve sound credit quality.

In some cases, ratemaking flexibility has been constrained by outsiders. Regulatory oversight of ratemaking has proved to be a challenge for several rated and unrated co-ops. Over time, the inability of some G&T co-ops to fully recover costs through rates because of regulatory barriers has led to bankruptcies of G&T and distribution co-ops like Wabash Valley, Cajun Electric, and Vermont Electric Co-op. Regulation does not necessarily lead to such drastic results and many regulators have been supportive of the co-ops that are under their jurisdiction. Nevertheless, there is sufficient evidence of cases where regulation has had credit implications. For example, Chugach Electric's rating was lowered and the outlook remains negative following the regulator's reduction of the permitted margins for interest coverage that the utility could earn on its debt.

Questions often arise as to how to best measure a co-op's financial performance. The highly leveraged capital structures of G&T co-ops reflect their inability to access capital markets for equity. This makes it difficult to draw comparisons between a cooperative's financial metrics and the metrics used to gauge the performance of investor-owned utilities. Comparability with investor-owned utility metrics is further obscured by the predominant use of amortizing debt within the co-op sector, as compared with investor-owned utilities use of nonamortizing debt. Consequently, the financial analysis of co-op utilities largely tracks the rating methodology employed for municipal utilities and public power joint-action agencies that also rely on amortizing debt and lack access to equity capital markets. The analysis of a co-op such as Chugach Electric that heavily relies on nonamortizing debt with bullet maturities requires a hybrid analysis that incorporates elements derived from the rating methodology for both public power and investor-owned utilities. To achieve a given rating, Standard & Poor's expects a utility that uses a meaningful amount of nonamortizing debt to exhibit considerably stronger coverage of annual debt service than would be expected of a utility whose debt amortizes like a mortgage. Refinancing risk and capital market access are also factored into the analysis of utilities that use nonamortizing debt.

The amortizing debt of many co-ops is governed by mortgage indentures fashioned by the Rural Utilities Service of the U.S. Department of Agriculture. Under these indentures, the principal measure of financial performance is frequently a "margins-for-interest" (MFI) or "times-interest-earned" (TIER) ratio. It is Standard & Poor's view that these ratios do not adequately reflect a utility's financial capacity to cover amortizing principal and interest payments and do not paint a full picture of financial capacity and creditor protection. Consequently, Standard & Poor's does not limit its analysis to the MFI and TIER metrics.

Irrespective of whether a utility is legally bound to satisfy the requirements of an all-in debt-service coverage test, Standard & Poor's examines each utility's financial capacity to produce excess coverage of principal and interest. Although the MFI and TIER tests are calculated with reference to a utility's income statement, Standard & Poor's analysis focuses on the income statement and the statement of cash flows. In calculating debt-service coverage, consideration is also given to fixed obligations that are not necessarily reflected on the balance sheet, including those related to capacity payments required under purchased-power agreements and long-term lease payments. However, payments that must be made pursuant to defeased lease agreements are viewed as mitigated by amounts held in escrow accounts dedicated to the payment of lease transaction obligations. Wabash Valley provides an example of a utility whose financial metrics were adjusted to impute debt and debt service as part of the analysis. Its income statement, cash flows, balance sheet, and financial ratios were adjusted to reflect the substantial fixed obligations that it has incurred under purchased-power agreements.

Western Farmer's Electric Co-op exemplifies the need for an analysis of coverage of total debt service and the shortcomings of reliance on MFI and TIER tests. In the 1970s, Western Farmers purchased an interest in a proposed nuclear power plant, the Black Fox Station. The purchase was debt financed. Upon the plant's 1982 cancellation, Western Farmers' investment was lost, but acquisition debt balances remained on its balance sheet for many years. That debt has been extinguished. The plant's cancellation left Western Farmers without a depreciable asset, which had implications for financial metrics until the Black Fox debt matured.

Depreciation expense is the budgetary vehicle that co-ops use for recovering amortizing principal in wholesale rates. In the years following Black Fox's cancellation, Western Farmers established wholesale rates and budgets based on its projected income statement. In the absence of a Black Fox depreciable asset, depreciation expense failed to serve as a proxy for the Black Fox component of Western Farmers' overall debt amortization. Depreciation expense reflected the debt-service requirements associated with the capitalization of Western Farmers' investments other than Black Fox. Revenue requirements calculated with reference to projected income statement operating and depreciation expenses repeatedly satisfied Western Farmers' interest coverage test, even though the income statement-based budget did not give effect to the cash flow necessary to amortize Black Fox debt. As a result, operating cash flow provided weak coverage of total amortizing debt. Standard & Poor's examination of all-in debt service was an important element of the 'BBB+' rating assigned to Western Farmers.

The factors cited in this article reflect some of the principal considerations that are incorporated in Standard & Poor's credit analysis of electric G&T cooperatives. While not an exhaustive review of all factors that influence co-ops' credit quality, the goal has been to provide insights into fundamental elements of Standard & Poor's ratings criteria for electric co-ops. From time to time, Standard & Poor's will communicate its views on the cooperative sector to further elucidate our ratings methodology for the benefit of those who engage Standard & Poor's to provide ratings on co-ops as well as for those who rely on Standard & Poor's electric co-op ratings when doing business with or investing in electric cooperatives.

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Public Finance Report Card: Public Power

Publication date: 21-Jan-2004

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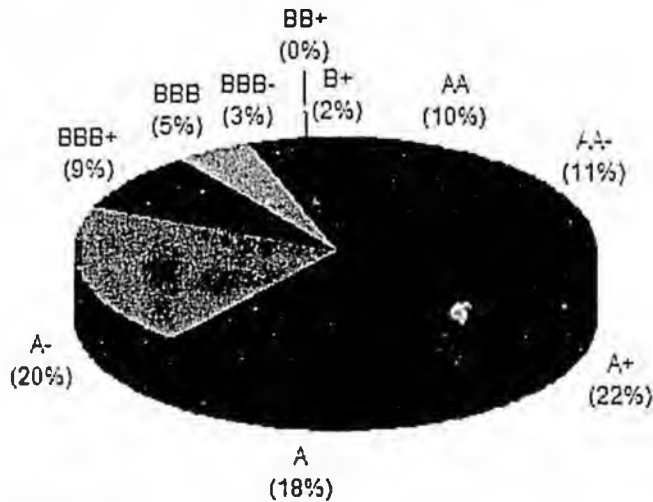
Rating trends for the public power sector remain stable despite the increased risk and uncertainty in the overall U.S. power industry. Standard & Poor's Ratings Services has 235 ratings in the public power sector, with the overwhelming majority carrying investment-grade ratings, and only five ratings below investment-grade. Of the five ratings below investment-grade, four are California irrigation districts and water agencies whose bonds are rated 'B+' based on contracts with Pacific Gas and Electric Co. for the output of a specific power project. The other non-investment-grade-rated credit is Guam Power Authority, rated 'BB+/CreditWatch Negative'. The overall credit strength of the public power is further demonstrated by the rating distribution, with about 80% of credits rated at least 'A-' and 21% of ratings reaching the 'AA' category. The public power sector includes municipally owned electric utilities and combined, or multi-segment, utilities, as well as joint action agencies consisting of two or more participating utilities. Ratings are as of Jan. 20, 2004.

Since the last report card, ("Public Finance Report Card: Public Power and Cooperatives", RatingsDirect, May 27, 2003), the sector has continued to experience overall credit stability, with only a handful of rating changes, despite ongoing industry turmoil on the investor-owned and merchant sectors. Aside from the sector's traditional strengths, the stability of the sector in the past year resulted from relatively low volatility in commodity prices for both fuel and power as compared with the prior three years, and from improved hedging activity that mitigated the impact of price swings. Rising power and fuel prices had resulted in weakening coverage and liquidity, and consequently, slight rating deterioration, in 2001 and 2002.

Traditional strengths of the sector that provide a solid credit foundation include the autonomy of public utilities' governing bodies in rate-setting and recovering costs (although there are exceptions, such as the requirement that Tennessee Valley Authority (TVA) distributors gain approval of TVA for rate increases above 2% and the state of Wisconsin, whose municipal electric utilities must file rate cases); the focus on core businesses and core mission to serve their customers; and for the most part, the absence of direct competition for retail customers. The absence of state or federal rate regulation enables these utilities to enact and implement rate increases or rate cuts quickly and as necessary in response to a changing cost or competitive structures, provided the willingness to do so exists. This is most often not the case for their investor-owned counterparts. Most public power utilities continue to operate as vertically integrated utilities and either own or have secured, through long-term contracts, sufficient generation to meet native-load demand, which is generally their main focus.

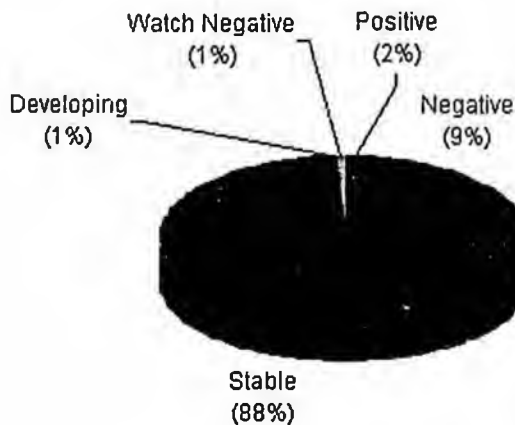
With regard to retail competition, where deregulation of the retail electric industry has moved forward, the enabling legislation has not required municipally owned utilities to compete directly for their native customers. Rather, these public utilities may choose open their service territories, a rare occurrence. As a result, the customer bases in the public sector have remained intact, which is very supportive of credit quality. However, in cases where public utilities' service territories have historically been multiply certified, the importance of being able to compete on price and on other measures has become heightened. Notable in this regard is Lubbock Power and Light (LP&L), the electric utility owned by the city of Lubbock, Texas. For over 80 years, LP&L has competed directly with an investor-owned utility (Southwest Public Service, or SPS, a unit of Xcel Energy Inc.) and typically held a strong market share. In the past year, however, due to an uncompetitive cost structure and competitive pressures that affected rate-making decisions, LP&L experienced operating losses and greatly reduced liquidity, and saw more than 5% of its customers switch to its direct competitor. Consequently, the rating was lowered to 'BBB-' from 'A+'. In contrast, Cleveland, Ohio, also competes directly with an investor-owned utility but retains a rate advantage and has posted net gains in the number of meters. Cleveland's electric revenue bonds are rated 'A-'.

Chart 1
Public Power Ratings Distribution



(As of Jan. 20, 2004)

Chart 2
Public Power Outlook Distribution



Key Issues

Despite these inherent strengths and the sector's stable credit profile, public power faces heightened risks through its required interaction with the wider industry. Exposure to counterparty risk, even through a limited dependence on wholesale purchases; uncertainty over the future of transmission capacity and availability; and asset and fuel diversification continue to pressure many public power entities to maintain liquidity and establish flexible rate structures with energy or fuel adjustment

mechanisms.

The sector continues to watch carefully and participate actively in the evolving debate regarding federal restructuring of transmission. Public power is concerned that changes implemented at the federal level could result in cost increases and operational uncertainty if firm transmission rights are not retained.

Despite surplus capacity in the industry, public utilities continue to plan and build additional generation to accommodate growing demand and to avoid exposure to the often volatile wholesale markets at a time when other energy companies are still faced with liquidity concerns, over-leveraged balance sheets, and limited access to capital from the equity markets. This drive toward local generation tends to be regionalized. In California, public power entities such as Turlock Irrigation District (Walnut Energy Center), Modesto Irrigation District (Ripon Generation Station), and certain members of Southern California Public Power Authority (Magnolia Project) are at various stages of development of gas-fired generation. While these moves will result in decreased exposure to often volatile wholesale power markets, these utilities are consequently increasing their exposure to natural gas price volatility. In the Midwest, the Municipal Energy Agency of Nebraska, Lincoln Electric, Neb., and others are issuing debt to finance their investments in new coal-fired capacity.

Table 1 Public Power Ratings					
Arranged Alphabetically by State					
Utility	State	Rating & Outlook	Business profile	Analyst	Comments
Anchorage Municipal Light & Power	AK	A/Stable	4	Paul Dyson	Moderate rates, with rate increases in 2002 and 2003, a large commercial base, and large owned generation capability characterize this consistently solid financial performer. Overall debt service coverage was 1.56x in 2002. The utility acquired in 1998 a partial ownership stake in the Beluga gas field. Diversification of local economy has dampened effects of recession.
Huntsville Electric	AL	AA/Stable	2	Peter Murphy	Growth in Huntsville electric system's service territory will require significant investment in the system's distribution infrastructure. However, with a relatively low rates and low debt burden, the system has a large measure of financial flexibility. The evolution of Huntsville's relationship with the Tennessee Valley Authority (TVA) also has rating implications.
Arizona Power Authority	AZ	AA/Stable	2	Anne Selling	The ability of the Hoover Dam to produce low-cost hydropower under a variety of water conditions, combined with the operational reliability associated with the plant's sound operational performance and reliability, is supportive of strong credit quality.
Mesa	AZ	A+/Stable	4	Markela Soward	Mesa, a five-system combined utility, demonstrates very strong coverage, typically exceeding 3x. Cash at year-end remains low at about \$8 million, or 27 days' worth of operating expenses, which is due transfers (ranging from \$24 million to \$50 million) from these systems into the city's general fund. Rates remain competitive, with modest increases anticipated in the near- to medium-term. The competitive rates give each system flexibility to increase rates if necessary. The customer base remains diverse and is mainly made up of residential customers.
Salt River Project	AZ	AA/Stable	3	Anne Selling	Salt River Projects's (SRP) rating reflects a stable, diverse, and low-cost generation portfolio. Debt service coverage ratios are expected to drop as low as 1.8x during the next three years, which is below SRP's past strong coverages, which, over the last five years have often exceeded 3x but are still in line with a 'AA' rating. The drivers of the lower coverage levels include proactive efforts by the utility to accelerate debt repayment as well as higher production costs largely, in the form of rising natural gas costs and weaker wholesale sales. In October 2003, SRP closed the sale of the Desert Basin plant, a 575 MW combined cycle plant formerly owned by Reliant. In December 2003, SRP issued \$300.0 million of certificates of participation (COPs) as long-term financing for the asset.
					The system has been able to sustain its credit quality

Alameda Power & Telecom	CA	A+/Stable	4	Markela Soward	given its solid financial position which has been aided by a proactive and responsive management team. Management entered into fixed-priced, long term purchased power contracts to provide rate stability. Rates are average reflective of the system's participation in high cost projects with a sizable high level of off-balance sheet debt associated with Northern California Power Agency projects. The system expects need to continue addressing its fixed costs and competitive issues in order to stabilize costs and rates while sustaining its operational, financial, and rate flexibility.
Anaheim Electric System	CA	A+/Positive	4	Peter Murphy	The success of Anaheim's plan to acquire new generation and repower existing assets to reduce the system's exposure to market purchases is critical to the rating over the next two to three years and is the basis of the rating's positive outlook.
Burbank Electric & Water	CA	A+/Stable	4	Paul Dyson	Despite cash flow in fiscal 2002 that was insufficient to meet debt service due to higher-than-anticipated purchased-power costs, the outlook remains stable. The utility used funds from its rate stabilization fund to cover debt service in 2002. Higher power costs resulted from a conversion of an existing contract, and its debt burden doubled from 37% debt-to-capitalization in 2001 to 60% in 2002. However, Burbank Electric & Water's construction of a 47 MW gas-fired combustion turbine, completed in 2002, along with its participation in Southern California Public Power Agency's Magnolia Project, should reduce the need to purchase peaking requirements from the wholesale market, allowing a return to a healthy cash flow position in 2003, with over 2.7x coverage projected, appropriate to the 'A+' rating.
California Department of Water Resources	CA	BBB+/Watch Negative	N/A	David Bodek	The rating principally reflects the bondholder protection provided by the Department of Water Resources (DWR) financing's legal framework, which mitigates many of the political risks and power market uncertainties associated with DWR's power program. The legal framework is characterized by significant reserves and requirements that the DWR, in concert with the California Public Utility Commission (CPUC), act to adjust retail rates in a timely manner should the power program's costs rise above projected levels. California's investor-owned utilities have assumed responsibility for procuring residual net short power for 2003. The utilities have also assumed operational responsibility for dispatching DWR's above-market contracts.
Glendale Electric	CA	A+/Stable	4	Peter Murphy	Despite high rates, Glendale's electric system has a strong financial position, including a large stranded investment reserve, which insulates it from a variety of financial risks. The system's key challenge will be to repower its existing generation assets successfully, which includes its stake in Southern California Public Power Authority (SCPPA) gas-fired Magnolia Project, which should be online in 2005. Glendale's prudent risk management strategy reduces its otherwise sizeable power market exposure.
Imperial Irrigation District	CA	A+/Stable	4	Paul Dyson	Serving over 108,000 electric customers in Imperial and Riverside counties, Imperial Irrigation District (IID) has a diverse generation resource mix and firm transmission access. Responsiveness of management demonstrated by modest annual rate increase in each of the last five years in response to gradually increasing costs is expected to continue to provide solid margins, with coverage in 2002 at 4.67x. Despite rate increases, the district maintains competitive rates that are below state and local averages for residential and commercial customers. The stable outlook reflects the expectation that IID will maintain its current financial health and its debt service coverage policy of no less than 1.70x.
Lodi Electric	CA	BBB+/Stable	5	Peter Murphy	Rate increases have enabled Lodi Electric to recoup losses incurred in fiscal 2001 and 2002 on power purchases and the buyout of a long-term above-market power contract. Due to the losses, the system's financial cushion has been depleted below management's target level. The system's cash-depleted position makes Lodi Electric more vulnerable to unpredictable adverse market

					or operational events, making restoration of stronger cash balances critical.
Los Angeles Dept. of Water & Power (Electric System)	CA	AA-/Stable	4	David Bodek	Los Angeles Dept. of Water & Power (LADWP) has made significant progress in reducing debt and operating expenses in recent years and expects that the utility's capital needs can be funded from monies from operations, assuming that retail rates are maintained at current levels. Preservation of the rating hinges on ongoing resilience to the political environment in California that has raised questions about all who participated in the state's wholesale markets in 2000 and 2001.
Modesto Irrigation District	CA	A+/Stable	3	Markela Soward	The Modesto Irrigation District (MID) is in the process of securing permits so that a 95MW gas fired plant (Ripon Generation Station) may be constructed (current projected completion date is April 2005). MID continues to implement necessary rate increases, with a board-approved rate increase for fiscal 2004 of 8%. Cash reserves remains strong, at an estimated \$165 million, or 341 days' of operating expenses for unaudited fiscal 2003. These reserves are anticipated to increase as the district reimburses a portion of its cash reserves with an estimated bond financing. Concerns continue to exist from MID's increasing debt burden, which has a high debt-to-capital ratio of 68%.
M-S-R Power Agency	CA	A+/Stable	5	Peter Murphy	M-S-R Power Agency's rating is based on the ratings of its two largest participants, Modesto Irrigation District and Silicon Valley Power (SVP). The agency owns a share of San Juan coal-fired unit #4 in New Mexico under a take-or-pay contract.
Northern California Power Agency-Geothermal Project	CA	BBB+/Stable	5	Peter Murphy	The geothermal project consists two generating units with annual output of approximately 140 MW. Plant output is projected to decline by about half in the next 20 years, although as project debt is repaid rapidly, project economics should not deteriorate. The project provides baseload power to 11 participants, the largest of which is SVP, Calif. The rating is based on the credit quality of the participants because of their unconditional obligation to pay project costs whether or not the project is operational.
Northern California Power Agency-Combustion Turbine No.1	CA	BBB+/Stable	5	Peter Murphy	The combustion turbine project consists of five 25 MW combustion turbines that provide peaking capacity to eight participants, the largest of which is Lodi, Calif. ('BBB+/Stable'). The rating is based on the credit quality of the participants, because of their unconditional obligation to pay project costs whether or not the project is operational.
Northern California Power Agency-Hydroelectric Project	CA	A-/Stable	4	Peter Murphy	The hydroelectric project is a 248 MW project that provides baseload power to 11 members, the largest of which is SVP, Calif. The rating is based on the credit quality of the participants because of their unconditional obligation to pay project costs whether or not the project is operational, and to make limited (25%) step-up payments in case other participants default.
Palo Alto Combined Utility (sub lien)	CA	AA-/Stable	3	Markela Soward	Joint financing for the independent water and gas systems earned a high investment-grade rating due to strong projected coverage and significant reserves for both the water and gas systems.
Pasadena Electric	CA	A+/Stable	4	Peter Murphy	A large stranded cost reserve fund and a flexible fuel cost pass-through policy should insulate Pasadena Electric from its market exposure, high fixed costs related to off-balance sheet obligations, and the pressure to reduce rates. Longer-term risks are linked to load growth, rehabilitation of the distribution system, and the need to plan for the acquisition of power supply and transmission to offset these risks.
					The utility is characterized by a strong, diverse, and stable service territory covering over 96,000 customers and declining costs in purchased power contracts that account for 42% of supply. The utility's movement toward reduction of the system's exposure to power supply markets via additional local generation for power supply needs is a positive trend, although the recent construction of this new 40 MW peaking generation project, and two

Riverside Electric	CA	A+/Stable	4	Paul Dyson	additional 50MW peaking facilities planned, could manifest operational challenges to a relatively inexperienced utility. Annual rate increases from 2002 to 2004 will allow the utility to rebuild reserves while increasing system reliability. Strong senior debt service coverage of 2.04x is offset by marginal combined coverage of both senior debt service and transfers out to the general fund of 1.08x and coverage of all fixed charges of 1.01x.
Roseville	CA	A/Stable	4	Peter Murphy	Roseville's very strong cash reserves, held in the rate stabilization fund, and strong coverage levels insulate Roseville against the near-term risks associated with a somewhat concentrated customer base. Implementation of Roseville's plan to shift toward owned generation from market purchases introduces some longer-term risk.
Sacramento Municipal Utility District	CA	A/Stable	4	Swami Venkataraman	A revamped business strategy that focuses on ownership of assets, a long-term fuel procurement policy that targets stability of gas costs partly through ownership of reserves, a new strategic financial plan that targets a 20% equity-to-capitalization ratio by 2007 and improved coverage ratios should provide credit stability.
Silicon Valley Power (City of Santa Clara) Subordinate Lien	CA	A/Stable	4	Leo Carrillo	SVP is expected to continue to maintain significant cash reserves to offset above-market contracts, additional cost pressures, industrial customer concentration risk, and future capital needs. SVP has not terminated its purchase power contract with Enron and deliveries have not been made under the above market-priced contract for the past two years. Assignment of this contract to another supplier will place financial pressure on the utility because load has decreased since the contract was signed and the additional power is not needed to serve native load. SVP's native load demand should return to a balance with its resources as the economy grows and its WAPA contract lapses, reducing the surplus energy that must currently be sold into the market. The utility officially broke ground on its new Pico Generating Station, a 147 MW combined cycle generating turbine located within city limits.
Southern California Public Power Authority - STS (working lien)	CA	A+/Stable	4	Peter Murphy	Five of the six participants are rated 'A+' (Anaheim, Riverside, Burbank, Pasadena, and Glendale). The sixth, Los Angeles Department of Water & Power, is rated 'AA-' and accounts for 59.5% of the project, a 500 kv transmission line running 488 miles from the Intermountain Power Project to a convertor station in southern California.
Southern California Public Power Authority (Hoover Project)	CA	AA-/Stable	2	Peter Murphy	Anaheim, Burbank, and Riverside, each rated 'A+', combine for 91% of SCPPA's 94 MW entitlement of the Hoover Dam's capacity resulting from an uprating of nameplate capacity through efficiency improvements.
Southern California Public Power Authority (Magnolia Project)	CA	A+/Stable	4	Peter Murphy	The rating is based on the credit quality of the four 'A+' rated members (Burbank, Glendale, Anaheim, and Pasadena). The project is a 242 MW gas-fired plant that is projected to be operational by spring 2005. Take-or-pay contracts, with limited step-up provisions, support the rating.
Southern California Public Power Authority (Palo Verde Project)	CA	A+/Stable	6	Peter Murphy	The Authority's 5.9% interest in the Palo Verde Nuclear Generating Station is shared by 10 participants, including LADWP (67%). Debt benefiting from a closed senior lien is rated 'AA-'.
Southern California Public Power Authority (San Juan Project)	CA	A+/Stable	4	Peter Murphy	Glendale and Imperial Irrigation District, both rated 'A+', are this project's largest and most highly-rated participants. SCPPA has a 208 MW share, or 41.8%, of San Juan's unit 3.
Turlock Irrigation District	CA	A+/Stable	4	Markela Soward	The Turlock Irrigation District's (TID) financial position remains strong. TID is in the process of securing permits for the construction of a 250 MW combined cycle gas fired plant, the Walnut Energy Center. TID's current plans are to use all power generated from the plant for its own uses, with the possibility of reselling small portions of the excess power in the open market. The anticipated completion date is December 2005. Audited coverage for

					fiscal 2002 remains adequate at 1.58x, with a projected coverage for fiscal 2003 at 1.98x. Cash reserves are anticipated to remain solid at approximately \$71 million or 203 days of operating expenses.
Colorado Springs	CO	AA/Stable	3	Peter Murphy	Strong financial performance and management's ability to handle its substantial capital needs drive the rating on Colorado Springs Utilities' combined water, sewer, gas, and electric system. Future capital needs are substantial and are driven by both the growth of the service area and by long-term water and power supply challenges.
Platte River Power Authority	CO	AA-/Positive	3	Peter Murphy	Platte River Power Authority's efficient, low-cost generating resources should continue to support strong financial performance and provide a buffer against industry volatility. The authority's four member cities' growth trends should continue to be supportive of credit quality. The positive outlook reflects Standard & Poor's expectation that the financial profile will continue to improve to levels in line with those of a higher rating.
Gainesville Regional Utility	FL	AA/Stable	3	Jodi Hecht	Changes to the 2003 indenture, which should be finalized by the end of the year, slightly weaken bondholder protection. However, operating procedures to maintain strong liquidity offset concerns regarding the elimination of a debt service reserve fund. Debt service coverage remains sound at over 2.7x and Gainesville Regional Utility continues to draw down the reserve fund as budgeted to support rates. Management is in the process of addressing and financing future load growth and related capacity shortfalls expected in 2010.
Jacksonville Electric Authority	FL	AA/Negative, AA-/Negative Junior Lien	3	Jeff Panger	Jacksonville Electric Authority's (JEA) coverage of debt service and fixed charges has dwindled in recent years, as management has focused on creating expense side savings rather than raising rates to rebuild margins. Such focus has improved coverage somewhat, but not to levels consistent with the current rating. The rating will likely be lowered if JEA is unable to produce additional cost savings leading to improved coverage for 2003 or institute a rate increase by the end of the current fiscal year. Management has indicated that it does not anticipate raising rates in the near future unless warranted by inflationary pressures.
Lakeland Energy System	FL	AA-/Stable	3	Jeff Panger	Lakeland Energy System has experienced financial losses associated with a unprofitable power sales contract to supply Florida Municipal Power Agency (FMPA) with 50 MW/year through 2010 from its gas fired combined cycle unit 5. The contract requires FMPA to pay Lakeland a fixed price for the power and does not include fuel cost pass-throughs. Solid coverage levels and actions to reduce other costs give some short-term comfort as to the utility's ability to absorb the losses as Lakeland pursues restructuring of the contract.
Orlando Utilities Commission	FL	AA/Stable	3	Jeff Panger	In October 2003, Orlando Utilities Commission (OUC) achieved bondholder consent of its general resolution, which, among other provisions, called for all outstanding and future bonds to rank pari passu. Although security for the current senior-lien bondholders will be diluted somewhat under the new general resolution, Standard & Poor's believes that OUC's solid financial operations support a 'AA' rating on all outstanding bonds, and as such raised its rating on the current subordinate-lien bonds to 'AA' from 'AA-'. Key to the rating is Orlando's strong financial profile, diverse fuel mix, favorable rates, and strong service area. However, the service area economy is highly influenced by tourism, which is subject to downturn or disruption to the historic travel patterns.
Tallahassee Electric Energy System	FL	AA/Stable	4	Jeff Panger	Progress in reducing the city of Tallahassee's reliance on electric system transfers to support general operations has helped the Tallahassee Electric Energy System to maintain a solid financial profile. Coverage levels are expected to decline over the next few years as fund balances are used to underwrite rate relief. Meanwhile challenges posed by a reliance on gas fired-generation, short-term gas contracts, and spot purchases exposes the utility to potential expense volatility.
					This joint-action agency's rating was affirmed in

Municipal Electric Authority of Georgia	GA	A+/Stable	4	Leo Carrillo	December on the strength of Municipal Electric Authority of Georgia's (MEAG) take-or-pay contracts with its members and on the significant financial flexibility provided by MEAG's Municipal Competitive Trust (MCT). Reserves in the MCT are expected to be sufficient to mitigate MEAG's heavy debt and above-market production costs in a competitive environment. The members' cumulative MCT money currently totals more than \$620 million and is expected to increase to more than \$800 million by 2008, MEAG's conservative forecast for implementation of retail competition in the state. MEAG's wholesale rates are expected to remain flat at about 5 cents per kilowatt hour (KWh) until 2006, when environmental compliance costs are expected to drive up costs to about 5.5 cents.
Guam Power Authority	Guam	BB+/Creditwatch Negative	5	Leo Carrillo	Standard & Poor's lowered Guam Power Authority's (GPA) rating to 'BB+' in July, while maintaining the ratings on Credit Watch with negative implications due to financial pressures associated with recent typhoon damage, diminished liquidity, weak cash flow coverage projected for 2003, the absence of rate relief and uncertainty regarding the retirement of a large receivables burden created by payment delinquencies of governmental agency customers. GPA is working to restore its financial profile by aggressively reducing payment delinquency, pursuing FEMA (Federal Emergency Management Agency) disaster aid and seeking immediate payment by Government of Guam agencies for past due balances.
Springfield Electric	IL	A+/Stable	4	Peter Murphy	Springfield Electric's rating was raised in 2001 to 'A+' after it had recovered from substantial trading losses incurred in 1998. In 2002, the city paid \$18.1 million to alter its power marketing contract with Reliant Energy so that the city would retain the bulk of the profits of its excess energy sales. While wholesale profits should increase, the uncertainty of wholesale power markets is a key risk. Springfield must continue to manage its surplus power supply.
Indiana Municipal Power Agency	IN	A+/Stable	3	Leo Carrillo	Standard & Poor's is monitoring Indiana Municipal Power Agency's (IMPA) financial performance, after the utility's cash flow coverage fell to around 1x in 2002, versus the 1.125x board target. Liquidity continues to be healthy, with three-months' unrestricted cash available and a rate stabilization fund maintained at around \$28 million.
Wyandotte County Unified Government Board of Public Utilities	KS	A+/Stable	4	Peter Murphy	Wyandotte County's combined water and electric system rating is dominated by the electric system (84% of operating revenues). Management is expected to combat near-term growth pressures through rate adjustments that should restore the system's liquidity levels. The system's mix of owned and contracted power supply should be sufficient over the intermediate term.
Massachusetts Municipal Wholesale Electric Co. (Wyman Project)	MA	BBB+/Stable	5	Dimitri Nikas	The stability of the several Massachusetts Municipal Wholesale Electric Co. (MMWEC) projects is a function of the ability of MMWEC to charge rates that are sufficient to recover not only debt service but also stranded costs and a preponderance of mid-investment-grade evaluations on the members' light departments, which are responsible for debt service. The modest disparity of the projects' ratings reflect the credit quality of the individual light departments.
Massachusetts Municipal Wholesale Electric Co. (Nuclear Project #4)	MA	BBB+/Stable	5	Dimitri Nikas	See Massachusetts Municipal Wholesale Electric Co. (Wyman Project)
Massachusetts Municipal Wholesale Electric Co. (Nuclear Project #5)	MA	A-/Stable	4	Dimitri Nikas	See Massachusetts Municipal Wholesale Electric Co. (Wyman Project)
Massachusetts Municipal					See Massachusetts Municipal Wholesale Electric Co.

Wholesale Electric Co. (Project 6)	MA	BBB+/Stable	5	Dimitri Nikas	(Wyman Project)
Massachusetts Municipal Wholesale Electric Co. (Stony Brook Intermediate)	MA	A-/Stable	4	Dimitri Nikas	See Massachusetts Municipal Wholesale Electric Co. (Wyman Project)
Massachusetts Municipal Wholesale Electric Co. (Stony Brook Peaking)	MA	A-/Stable	4	Dimitri Nikas	See Massachusetts Municipal Wholesale Electric Co. (Wyman Project)
Massachusetts Municipal Wholesale Electric Co. (Nuclear Mix #1)	MA	A-/Stable	4	Dimitri Nikas	See Massachusetts Municipal Wholesale Electric Co. (Wyman Project)
Massachusetts Municipal Wholesale Electric Co. (Nuclear Project #3)	MA	BBB+/Stable	5	Dimitri Nikas	See Massachusetts Municipal Wholesale Electric Co. (Wyman Project)
Lansing Board of Water Power and Light	MI	AA-/Stable	4	Susan Knutson	Lansing Board of Water Power and Light's (Lansing BWL) rating was downgraded in August 2003 to 'AA-' from 'AA' due to financial pressures associated with the system's chilled water utility. The electric system's customer base is concentrated, with General Motors a concentrated user at 14% of electric revenues. The system's finances remain strong with 4x debt service coverage and total fixed charge coverage of 1.74x.
Michigan Public Power Agency (Belle River)	MI	AA/Stable	4	Susan Knutson	The Belle River project maintains exceptionally strong cash reserves equal to four years of debt service. The 25% step-up provisions, along with the very strong credit profiles of the two largest participants, mitigate participant concentration. Belle River has excess transmission capacity and does not expect need for additional base load until after 2007.
Michigan South Central Power Agency	MI	BBB/Stable	5	Susan Knutson	The 'BBB' rating reflects the credit quality of the agency's members. The agency's high fixed costs, high members rates, and the members' dependence on industrial customers for a substantial portion of their revenues will continue to preclude a higher rating. The financial reserves held at the agency provides stability to the rating.
Northern Municipal Power Agency	MN	A/Stable	3	Swami Venkataraman, MN	The agency's creditworthiness is a function of strong long-term all-requirements contracts with its 12 participants, extremely low-cost coal and hydro power resources, wholesale rates that are much lower than state and regional averages, and the benefits from the coordination agreement with Minnkota Power Cooperative. This agreement essentially combines the two into one electric system from both an operational and financial perspective. Minnkota serves as a backstop for all of Northern Municipal Power Agency's revenue requirements in excess of member revenues.
Southern Minnesota Municipal Power Agency	MN	A+/Stable	4	Susan Knutson	Southern Minnesota Municipal Power Agency (SMMPA) member contracts extend through 2030, and members must give seven years' notice if they opt to seek other sources of supply. SMMPA's largest member, Rochester, has a fixed energy requirement of 216 MW. There is a cost-adjustment clause in place to protect the agency from volatile fuel and purchased power costs.
Columbia Water and Electric System	MO	AA/Stable	4	Susan Knutson	Columbia Water and Electric System's negative outlook cites declining coverage of fixed charges and projections of further declines in coverage levels, with no plans to enhance revenues to address the declines. The system is reliant on purchased power, with three separate base-load contracts, one expiring in 2004. Coverage of direct debt remains strong and liquidity has improved, with a

					strong 177 days' cash when including the renewal and replacement fund.
Springfield Utilities	MO	AA/Stable	3	Susan Knulson	Springfield Utilities is planning to building 300 MW of new coal-fired generation later in 2004. The additional base load has a preliminary estimated cost of \$600.0 million, and the related revenue bonds require a simple majority approval of voters under Missouri law. The system remains very competitive and has some of the lowest rates in the state. Currently debt service coverage exceeds 5x and liquidity has grown in anticipation of the project. There will be rate increases associated with the new generation, currently proposed to be 4% per year for the next four years.
North Carolina Eastern Municipal Power Agency	NC	BBB/Stable	6	Jeanny Silva	Eastern's high debt burden and above-average wholesale rates are somewhat mitigated by the agency's strong take-or-pay contracts, which contractually obligate member cities to pay agency debt service and the financial oversight and political support provided by the Local Government Commission of North Carolina (LGC). Eastern recently renewed its supplemental power agreement with Carolina Power & Light (CP&L), which will provide North Carolina Eastern Municipal Power Agency (NCEMPA) with adequate power supplies through 2009 and should provide NCEMPA with additional cost savings.
North Carolina Municipal Power Agency No. 1	NC	BBB+/Stable	5	Jeanny Silva	North Carolina Municipal Power Agency (NCMPA) continues to take measures to improve its cost structure. It is currently negotiating certain modifications to an interconnection agreement with Duke Energy while negotiating a new more favorable arrangement with Southern Power. The contract arrangements should help the agency to contain its above-average wholesale rates.
Lincoln Electric System	NE	AA/Stable	2	Swami Venkataraman	Lincoln Electric System (LES) announced the acquisition of a 100 MW stake in the Council Bluffs unit #4 coal plant being built by Mid American Energy. The business profile is exceptionally strong for a vertically integrated utility, and continued stable financial performance is expected.
Municipal Energy Agency of Nebraska	NE	A-/Stable	5	Peter Murphy	Municipal Energy Agency of Nebraska's (MEAN) participation in the Council Bluffs Unit #4 coal-fired facility represents a shift into acquiring generation assets. The lack of competitive threats in Nebraska for the foreseeable future is key to the rating.
Nebraska Public Power District	NE	A/Negative	4	Swami Venkataraman	Nebraska Public Power District's (NPPD) Cooper Nuclear Station is expected to emerge out of "repetitively degraded" status by the first quarter of 2004. The decision to sign a management contract for Cooper with Entergy is a positive development. Key credit issues include the need to secure reasonable power sales contracts for Cooper beyond 2004 and to maintain financial performance in the face of additional borrowings for the new Beatrice Gas Station and the recently announced acquisition of 150 MW from Omaha Public Power District's (OPPD) Nebraska City #2 coal unit.
Omaha Public Power District	NE	AA/Stable	3	Swami Venkataraman	Stable financial performance is expected to continue at this low-risk utility in the all-public power state of Nebraska. OPPD announced the construction of the potentially 600 MW Nebraska City #2 coal station, with its own requirement limited to 300 MW. OPPD is expected to structure the additional capacity with no impact on its own credit rating.
Long Island Power Authority	NY	A-/Neg	4	Terry Pratt	In June 2003, Suffolk ratepayers began to pay a surcharge related to the Shoreham plant that will be approximately 2.8% per year through 2029. The surcharge will be used to cover debt service on the Shoreham-related bonds and improves Long Island Power Authority's (LIPA) financial position. LIPA's contract capacity grew in 2003 with the addition of 55 MW at FPL Jamaica Bay and 52 MW at Greenport. The negative outlook reflects CFO turnover, lack of a long-term supply program, and potential acquisition of the Keyspan generation assets.
					The outlook for New York Power Authority (NYPA) remains stable due to maintenance of strong coverage

New York State Power Authority	NY	AA-/Stable	5	Dimitri Nikas	levels, resolution of the litigation surrounding the Power Nowl assets in New York City, and prospects for an improved hydrology environment going into 2003. NYPA's senior debt coverage in 2002 was 2.2x without the Entergy payment and 2.9x with the Entergy payment. NYPA is forecasting coverages above 1.8x from 2003-2007, excluding the annual \$118 million Entergy payment.
Cleveland Public Power System	OH	A-/Stable	4	Jeff Panger	Cleveland Public Power System (CPP) continues to maintain its rate advantage and post net meter gains from Cleveland Electric Illuminating Co., with which it directly competes on a door to door basis. However, CPP's rate advantage has declined over the past several years, and with the expiration of one-third of purchased power contracts, CPP will continue to be challenged to maintain its competitive position.
Ohio Municipal Electric Generating Agency (Bellefonte Hydro Project)	OH	BBB+/Stable	5	Jeff Panger	American Municipal Power-Ohio's diverse member base provides support to credit quality, but contract structure introduces risk due to the presence of some weak members. Additional project operating history and oversight of members has mitigated concern regarding the limited step-up and a number of members that are of weaker credit quality, resulting in a rating upgrade in October 2003. Stable water flows continue to mitigate concern regarding the run-of-the-river nature of the project.
Grand River Dam Authority	OK	BBB+/Stable	6	Jeanny Silva	Short-term off-system contracts accounting for approximately 30% of operating income expose the Grand River Dam Authority (GRDA) to merchant risks over the intermediate term. These risks are tempered by the GRDA's proven ability to add new contracts and extend existing ones, most recently with the extension of the Stillwater contract, which extends through 2011-2013. GRDA's liquidity position continues to be strong, with about 150 days cash on hand. Performance for the last 12 months ending September 2003 was significantly up, as compared to the same period last year, largely because of higher weather-related (peaking) demand and growth at some of the GRDA's municipal customers.
Oklahoma Municipal Power Authority	OK	A-/Stable	4	Jeanny Silva	The Oklahoma Municipal Power Authority faces uncertainty regarding its transmission arrangements with Oklahoma Gas & Electric (OG&E) and the degree to which it will need to contribute to capital expenditures designed to improve the reliability of transmission assets in the southwest region of its service area. The Oklahoma Municipal Power Authority should continue to meet cashflow adequacy measures commensurate with its 'A' rating provided that its debt levels and transmission costs do not materially increase beyond current projections.
Bonneville Power Administration	OR	AA-/Negative	5	Swami Venkataraman	The implementation of the Safety Net CRAC starting Oct. 1, 2003, as intended by the mechanism, removes concern about the use of savings from a debt optimization program (\$315 million in fiscal 2003) to offset the need for additional rate increases. Bonneville Power Administration (BPA) is expected to end its fiscal 2003 with a much improved liquidity position. However, BPA remains significantly dependent on hydro conditions and wholesale power prices over the next three years until the next rate period. The risk of unfavorable market conditions depleting liquidity remains. Further rate hikes to customers, if required, will be politically difficult.
Eugene Water & Electric Board (Electric System)	OR	AA-/Negative	4	Paul Dyson	As did many northwestern utilities, Eugene Water & Electric Board (EWEB) experienced higher-than-anticipated purchased power costs during the drought and energy market volatility of 2001. The system's almost complete dependence on hydrological sources for its power and recent local adverse hydrological and market conditions have also challenged the utility's financial performance. The negative outlook reflects EWEB's increased risk profile, including increased reliance on off-system sales to meet rapidly escalating debt service payments that will double over the 2002-2007 period, as well as EWEB's reduced rate-setting flexibility, given recent large rate increases. Cost pass-throughs from Bonneville appear to be diminishing somewhat in the near

					term, and this should allow the utility to improve overall operations and financial performance.
Puerto Rico Electric Power Authority	PR	A-/Stable	2	Jeff Wolinsky	Rating stability centers on Puerto Rico Electric Power Authority's (PREPA) ability to maintain a stable financial profile and to continue to make progress on its large and much needed capital program. PREPA's projected minimum debt service coverage ratios remain sound at about 1.53x, which are slightly lower than historical levels. Minimum fixed-charge coverage, which includes a portion of the payments under the power purchase agreements, will be adequate, but at the lower level of 1.47x.
Piedmont Municipal Power Agency	SC	BBB-/Negative	6	Dimitri Nikas	Piedmont Municipal Power Agency has successfully arranged for replacement supplemental and backup sources of energy after its interconnection agreement with Duke expires in 2006, arresting any concerns that the financial and business profiles could be adversely affected. The outlook was revised to stable to reflect this event.
South Carolina Public Service Authority	SC	AA-/Stable	3	Dimitri Nikas	The combination of efficient low-cost generation, lack of deregulation efforts, and diverse customer base provide support to credit quality. Furthermore, Santee Cooper's prudent management and strong financial profile, including substantial liquidity, ensure a stable outlook.
Chattanooga Electric Power Board	TN	AA/Stable	2	Ted Chapman	Chattanooga Electric Power Board's (Chattanooga EPB) front-loaded debt service and strong overall electric system coverage are part of Chattanooga EPB's efforts to remain competitive and retain a large industrial customer base in the event the TVA service area were to restructure to allow retail competition. Chattanooga EPB's telecommunication venture, while a small portion of total system revenues, reached break-even status in 2002, ahead of schedule, limiting the risk to the electric system.
Knoxville Utilities Board	TN	AA/Stable	2	Ted Chapman	Knoxville regularly exceeds internal debt service of at least 3x. There is some risk associated with above-average amount of variable-rate debt, but moderated with rapid maturity by 2004. Benefits from reduced operating risk from its status as a TVA all-requirements customer.
Memphis Light Gas and Water	TN	AA/Stable	2	Ted Chapman	A recently completed first-of-its-kind \$1.5 billion debt-financed prepaid purchased power agreement (transaction rated 'AA-/stable') with the TVA is expected to save Memphis Light Gas and Water a net \$13 million per year for the next 15 years. The transaction introduces a significant fixed-cost component that has been introduced by shifting a portion of the all-requirements power supply to debt service.
Nashville Electric Service (Nashville & Davidson County)	TN	AA/Stable	3	Peter Murphy	Nashville Electric Service's manageable capital plan addresses the distribution-only system's growth and reliability needs. TVA continues to provide a reliable and reasonably priced power supply on a take-and-pay basis, which limits Nashville Electric Service's exposure to TVA's high debt burden. The system's expected modest customer growth and relatively low rates should result in continued good coverage levels, consistent with its rating level.
Austin Combined Utility (senior lien)	TX	A/Positive	4	Ted Chapman	A recent unplanned outage at one of the South Texas Project nuclear units forced the utility to purchase power from the market to replace the temporarily lost portion of their generation portfolio, but the cost for replacement power was manageable. Austin closed this lien after having separated the electric system and the water and sewer systems' net revenue pledges in 2000. The utility continues efforts to restructure debt and separate business lines, which could improve competitiveness in an open-market scenario. It recently completed a comprehensive risk management policy applicable to finances, operations, and day-to-day policies and procedures.
Brownsville Utilities System	TX	BBB+/Stable	5	Peter Murphy	The key challenges facing Brownsville Utilities System's operations include the need for reliable power and fresh water supplies to serve its growing customer demand while maintaining competitive rates. Brownsville Utilities System is already subject to direct competition in some of its electric service area, and thus its recently adopted rate

					Increases across all three business segments (electric, water, and sewer) over the next four years should fund system growth while maintaining liquidity and coverage levels.
Denton Combined Utility	TX	A+/Stable	4	Peter Murphy	Denton Combined Utility's electric system provides three-fourths of the operating revenue of the combined water, sewer, and electric utility. The performance of Texas Municipal Power Agency's (TMPA) Gibbons Creek plant, which provides about two-thirds of the city's energy is critical to the rating. Other challenges include exposure to market forces for the city's growing load, as well as infrastructure needs in all three systems that have driven rising debt levels. Denton Combined Utility's liquidity is strong but may decline as rate stabilization reserves are depleted to offset TMPA's high fixed costs over the next decade.
Garland Combined Utility	TX	A+/Stable	4	Ted Chapman	Although Garland Combined Utility has recently acquired additional generation assets, it remains dependent upon Texas Municipal Power Authority's high-cost coal-based power for the majority of its load requirements. Substantial off-balance sheet debt associated with TMPA remains a manageable challenge. Garland does not plan to opt-in to the competitive retail market within ERCOT.
Lower Colorado River Authority Transmission Services Corp.	TX	A/Stable	3	Anne Selting	The transmission business is highly dependent on regulatory approval of cost recovery for new transmission projects. Transmission Services Corp. (TSC) is embarking on a \$1.3 billion transmission investment plan (2004-2008) that will be 96% debt-financed and which could expose Lower Colorado River Authority (LCRA) to regulatory disallowance or timing delays that could stress cash flows. To date, regulatory treatment has been favorable, and the rating reflects the expectation that the regulatory process will be sufficient to provide LCRA TSC with sufficient revenues to maintain a minimum of 1.25x debt service coverage each year and that liquidity levels will remain sufficient to support a substantial capital plan.
Lower Colorado River Authority	TX	A/Stable	4	Anne Selting	LCRA has a diverse resource mix that provides favorably priced energy to LCRA's 42 wholesale customers. The resource mix is expected to contribute to a stable revenue stream, despite a newly deregulated retail market in ERCOT. LCRA announced in December 2003 its proposed acquisition of Calpine Corp.'s 50% interest in the Lost Pines Power Project, a 545 MW combined-cycle power plant. LCRA owns the other 50% interest in the plant through its affiliate, GenTex. The purchase includes a one-year agreement that allows Calpine to call up to 250 MW. LCRA is expected to close the sale in January 2004 and will debt-finance the majority of the purchase. Debt-service coverage is not expected to materially change as a result of the purchase, and is forecast to be 1.3x in 2004.
Lubbock Power and Light	TX	BBB-/Negative	7	Peter Murphy	Lubbock Power and Light is unique among public power entities in that in 80% of its service area it faces direct competition from Southwestern Public Service, a unit of Xcel Energy. The city must restore its competitive position and stem customer losses and restore its profitability to remain viable. Lubbock must also successfully implement a plan regarding its power supply portfolio and must continue to recover costs on a timely basis via its fuel cost recovery mechanism.
New Braunfels	TX	A+/stable	5	Ted Chapman	This combined electric, water, and sewer utility is located in a high-growth corridor between San Antonio and Austin, helping the largely residential customer base to grow and diversify. Manageable growth, single certification of the electric service area to the city, and a favorable take-and-pay agreement for wholesale power with LCRA have allowed NBU to maintain debt service coverage generally in excess of 4x and strong system liquidity. While the system does have additional debt plans over the next five years, no financing needs are projected for the electric system.
					Sam Rayburn Municipal Power Agency restructured its outstanding debt in 2002 in conjunction with the sale of its generation asset to Entergy in return for a long-term, fixed-rate purchased power contract. The agency's debt is

Sam Rayburn Municipal Power Agency	TX	BBB-/Stable	6	Ted Chapman	secured by an unconditional commitment to pay by three Texas municipal electric systems (Jasper, Liberty, and Livingston) that include an unlimited step-up obligation. The three municipal electric systems have rate structures that are designed to cover the high fixed costs of the Sam Rayburn debt, and all are experiencing moderate to strong system growth. All three cities are located outside of the ERCOT region and retail choice is not an option at this time. Although power supply is 100% dependent on delivery and performance by Entergy, the contract is no longer plant-specific, reducing the single-asset risk.
San Antonio Electric and Gas	TX	AA+/Stable	2	Arloen Spangler	The ratings reflect San Antonio's continued ability and success at providing low-cost rates to customers, managing a diverse resource portfolio, and hedging commodity price risk on behalf of its customers while maintaining a strong financial profile. The rating anticipates a continued strong financial profile and legal protections for bondholders.
Texas Municipal Power Agency	TX	A+/Stable	5	Ted Chapman	TMPA's four participants (Denton, Garland, Greenville, and Bryan, Texas) are unconditionally obligated to pay the costs of TMPA with an unlimited step-up provision. Operations at the Gibbons Creek coal-fired plant are now strong, and the additional transmission revenues that TMPA began receiving in 2000 as a result of the deregulated ERCOT market have helped buy down the high fixed costs of the agency. Members are not planning to opt-in to the competitive Texas market and are expected to be able to support the above average cost of power from TMPA as part of their overall generation resources. Near-term challenges include a possible investment in expanded rail delivery capacity at Gibbons.
Virgin Islands Water and Power Authority	USVI	BBB-/Stable	5	Jeff Wolinsky	Rating stability centers on Virgin Islands Water and Power Authority's (WAPA) ability to maintain a stable financial profile while making progress on its capital program. Over time, the rating could be raised, as the large capital program is completed and operations improve. However, the regulatory oversight and tourism-based economy will likely limit the rating to the 'BBB' category.
Intermountain Power Agency	UT	A+/Stable	4	Markela Soward	Intermountain Power Agency (IPA) continues to benefit from efficient operations, with its two coal-fired units running at an availability of 93% in 2002, compared to the industry average of 74%. These strengths are tempered by substantial fixed costs associated with about \$3.2 billion of debt and high fuel costs. Debt service continues to represent nearly two-thirds of revenue requirements at 2.88 cents/kWh and translates into debt service payments that account for 55% of IPA's total revenue requirement.
Utah Associated Municipal Power Systems (Craig Mona Project)	UT	A-/Stable	4	Markela Soward	The downgrade to the transmission project rating in 2002 reflects the deterioration in credit quality of the largest participants in the project. A number of the Utah municipal electric systems struggled to meet load growth through power purchases at a time when market price volatility has been substantial. The stable outlook reflects Standard & Poor's expectations that recent rate increases and decreased exposure to purchases in the open market will stabilize the financial well being of the participants in the transmission project.
Benton County Public Utility District No. 1	WA	BBB+/Stable	5	Paul Dyson	Benton County Public Utility District has had recent success in meeting relatively high wholesale sales projections necessary to achieve healthy margins and debt service coverage, and its forecasts show less dependence on such sales to meet future debt obligations. In addition, the utility has made proactive management steps that will likely improve financial performance, including an acceleration of a future 2004 rate increase into 2003, a new power cost adjustment mechanism, strengthened financial policies and risk management techniques, and a material change towards conservatism in its forecasts, which, nonetheless, continue to show good financial margins and coverage.
Chelan County Pub Utility District No. 1 (Chelan	WA	AA/Stable	2	Leo Carrillo	The ratings on Cholan County's revenue bonds reflect very low production costs, averaging two cents per KW/h, retail rates that are among the lowest in the U.S., consistently strong financial performance, and a strong,

Hydroelectric Consolidated System)					liquid balance sheet with enough cash on hand to meet all planned capital expenditures and to protect against contingencies.
Chelan County Public Utility District No. 1 (Rocky Reach Hydroelectric System)	WA	AA/Stable	2	Leo Carrillo	See Chelan County Public Utility District No. 1 (Rocky Reach Hydroelectric System)
Chelan County Public Utility District No. 1 (Rock Island Hydroelectric System)	WA	AA/Stable	2	Leo Carrillo	See Chelan County Public Utility District No. 1 (Rocky Reach Hydroelectric System)
Clark County Public Utility District	WA	A/Stable	4	Markela Soward	Clark Public Utility District's (CPUD) higher priced gas contracts will expire over the first quarter of 2004, leaving CPUD with the possibility of negotiating newer, potentially cheaper contracts going forward. However, to date CPUD has only secured by 80% of its gas requirements for fiscal 2004, with no contracts secured for fiscal 2005. CPUD's power resource mix will adjust slightly starting in fiscal 2004, with a few long-term power contracts expiring. As a result, CPUD's gas-fired plant, The River Road Generating Plant, will account for 39% of its overall power mix, a 4% increase from fiscal 2003. Cash flow debt service remains improved for fiscal 2004, with coverage hovering around 1.51x. A 5% rate increase was implemented in 2003, which has helped improve coverage and the increased costs associated with purchased power from Bonneville Power Administration under the cost-recovery adjustment clause (CRAC).
Cowlitz County Public Utility District	WA	A-/Negative	4	Markela Soward	Cowlitz County Public Utility District was placed on negative outlook in March 2003 due to severe damage to its dam, leaving it somewhat reliant upon spot-market purchases for substitute power, coupled with already low unrestricted reserve levels. This left the district with less of a financial cushion should other unplanned future costs occur. The Cowlitz County PUD remains committed to increasing rates and as of Oct. 15, 2003, had just recently passed a 4.5% rate increase. The rate increase was slightly less than the projected rate increase of 10%-12% estimated earlier in the year. In the first quarter of calendar 2004 the district will most likely issue bonded debt to fund the reconstruction of Swift No. 2.
Douglas County Public Utility District #1 (Wells Project)	WA	AA/Stable	2	Leo Carrillo	Very low production costs of about 10 mills per kWh and favorable environmental attributes make for one of the most competitive hydroelectric resources in the Pacific Northwest. Single-asset risk is the only major credit concern underlying the 'AA' rating.
Douglas County Public Utility District No. 1	WA	AA-/Stable	3	Leo Carrillo	The district's very strong financial profile and conservative budgeting policies complement a strong business profile characterized by very low retail rates, an efficient and very low-cost generating resource in the Wells Project, a largely residential retail base. These credit strengths easily overcome potential concerns regarding the small, agriculture-based local economy, potential relicensing costs at the Wells Project, or capital requirements for buildout of the district's telecommunications system. Unrestricted cash of \$25 million exceeds outstanding debt of \$19 million. Levelized debt service coverage is projected to exceed 2x, even under the conservative assumption of very low streamflow and cost based rates.
Franklin County Public Utility District	WA	BBB/Stable	5	Paul Dyson	Significant operating losses in 2002 demonstrated heightened risk due to recent transition to generation ownership, dependence on off-system sales revenues of surplus hydro power, and exposure to Bonneville price increases. Management's adherence to aggressive wholesale revenue forecasts is still a credit concern. Strengths include management's recent implementation of an 11.5% rate surcharge in January 2003 and the district's recent success in meeting somewhat aggressive off-system sales for resale targets for 2003 to date (unaudited). In spite of these positive factors, the district's financial performance could be impaired as a result of its

					total dependence on gas and hydrological power resources, which are volatile in nature in terms of both availability and price. The utility's debt service coverage policy of 1.6x contributes to the strength and stability of the rating.
Grant County Public Utility District No. 2 (Electric System)	WA	A+/Negative	4	Leo Carrillo	Weak cash flow coverage prompted Standard & Poor's to revise in January 2003 its outlook to negative on the rating for Grant County's distribution system, after the district chose to rely exclusively on power cost deferrals to recover unusually high power costs in those years. The district imposed a rate increase of 4% in April 2003 and plans another for 2004. Although Standard & Poor's is concerned with the utility's financial profile and rate-setting responsiveness, Grant County's credit quality remains strong, helped in large part by the very low production costs of below \$13 per megawatt-hour at the district's two hydroelectric projects, a return to Bonneville Power Administration for the district's full preferential amount in a shaped-block product, and residential rates that are among the lowest in the nation.
Grant County Public Utility District No. 2 (Priest Rapids)	WA	AA-/Stable	2	Leo Carrillo	Very low project costs of \$6.24 per megawatt-hour (MWh) at Wanapum and \$8.11/MWh at Priest Rapids enable Grant County PUD to offer extremely competitive cost-based power in the current western electric markets. It is expected to continue to be supportive of strong credit quality. Unconditional power-purchase contracts with 12 (Priest Rapids) and nine (Wanapum) purchasers for 63.5% of each project's output through Oct. 31, 2005, and Oct. 31, 2009, respectively, with the remaining 36.5% reserved for sale to the district's electric system provide long-term stability. Costs continue to be passed directly through to participants based on their percentage share.
Grant County Public Utility District No. 2 (Wanapum)	WA	AA-/Stable	2	Leo Carrillo	See Grant County Public Utility District No. 2 (Priest Rapids)
Grays Harbor County Public Utility District No. 1	WA	A-/Stable	4	Markela Soward	Grays Harbor County Public Utility District is similar to sister PUDs Benlon and Franklin, but key differences enabled rating to remain in the 'A' category. Grays Harbor County PUD also acquired a participation in Bonneville hydro generation assets, with the intention of subsidizing rates with profits from off-system sales, which failed to materialize in 2002. In response to resulting operating loss, Grays Harbor County PUD drastically reduced forecasted margins from off-system sales. Conservative forecasting increases likelihood district will achieve sound coverage going forward.
Seattle City Light	WA	A-/Negative	4	Leo Carrillo	Seattle City Light (SCL) continues to face financial pressure as it digs itself out of the financial hole created by exceptionally high purchased-power costs in 2001 and lower-than-anticipated wholesale revenues in 2002. Although operations remain solid, and SCL is in resource balance at critical water levels, the utility will have seriously constrained liquidity through 2004. Although generating positive cash flow, all excess revenues will be used to repay short-term borrowing, expected to occur in mid-2004. The negative outlook reflects the downside potential of the rating if SCL's recovery to a cash flow positive financial position is delayed substantially beyond fiscal 2004. Delays could be caused by variable water conditions, low wholesale market prices, additional rate increases from Bonneville that are not passed through to retail customers, or unexpected capital needs.
Snohomish County Public Utility District No. 1	WA	A+/Stable	4	Markela Soward	Snohomish County Public Utility District continues to retain its solid financial profile. Current emphasis is to bring rates down while continuing to fund a significant share of capital needs from operating revenues to reduce the utility's overall debt burden. Snohomish County PUD is considering several options to help cover a shortfall that is materializing for its current fiscal 2004 year. The shortfall does not include the pending increases in the CRACs under Bonneville because Snohomish is a block and slice customer.
					Management's sound financial policies, as shown by the early implementation of a 50% rate surcharge during the

Tacoma Light & Power	WA	A+/Stable	4	Anne Selling	western energy crisis and a 100% pass-through of Bonneville Power Administration's (BPA, 'AA-/Negative') 48% rate increase in October 2001, served to quickly restore Tacoma's financial health following the Western energy crisis. The decision to sign a five-year contract with BPA using the block product instead of the SLICE product insulates Tacoma from hydro risks and reduces its reliance on wholesale revenues to meet debt service coverage. The stable outlook reflects the rapid recovery from financial challenges associated with the 2001 power crisis and an expectation that cash flow at the utility will return to historically strong levels by the end of fiscal 2002.
Wisconsin Public Power Inc.	WI	A/Stable	4	Jeff Panger	Wisconsin Public Power Inc.'s (WPPI) rating and outlook are bolstered by the strength of its all-requirements power supply contracts with 37 members, low rates and automatic pass-through adjustments, and solid liquidity, all of which serves to insulate WPPI from pressures associated with a reliance on purchased power and a retail level base that is highly concentrated in paper product manufacturing. Through the third quarter of fiscal 2003 year-over-year operating income has declined 10%, as fuel and purchased power expense has increased on a unit basis, but volume purchased was lower in response to decline in demand, driven by generally cooler weather and weakened economic conditions.
Wyoming Municipal Power Agency	WY	A-/Stable	4	Peter Murphy	Wyoming Municipal Power Agency's (WMPA) competitive cost structure and its all-requirements members' stable customer bases should enable the agency to maintain its sound financial results.

Issuer	Rating	Implications	Date	Reason
Guam Power Authority, Guam	BB+	Negative	2/5/2003	Concerns regarding immediate liquidity and financial condition.
California Department of Water Resources, Calif.	BBB+	Negative	5/15/2003	Reduction in indenture-required funds and Western Area Power Administration payments.

Issuer	To	From	Date	Reason
Benton County PUD #1, Wash.	Stable	Negative	10/30/2003	Reduced reliance on off-system power sales to meet financial targets.
Lubbock, Texas	Negative	Stable	8/22/2003	Deteriorating financial and competitive position.
West Texas Municipal Power Agency, Texas	Negative	Stable	8/22/2003	Downgrade of dominant member, Lubbock, Texas.
Franklin County PUD, Wash.	Stable	Negative	6/13/2003	Revenue enhancements and reduced reliance on off-system sales in financial forecast.

Notes: Ratings are from May 31, 2003 to Jan. 20, 2004. PUD -- Public Utility District.

Issuer	To	From	Date	Reason
Benton County PUD #1, Wash.	BBB+	BBB	10/30/03	Revenue enhancements and increased conservatism in budgeting.
Ohio Municipal Electric Generating Agency, Ohio	BBB+	BBB	10/27/03	Positive project operating history.
Orlando Utilities Commission, Fla. (junior lien only)	AA	AA-	10/02/03	Combining of subordinate and senior liens.
Lansing Board of Water & Light, Mich.	AA-	AA	08/22/03	Losses in chilled water unit reduced financial flexibility through extension of debt maturities.
Lubbock, Texas	BBB-	A+	08/22/03	Deteriorating financial and competitive position.
West Texas Municipal Power Agency, Texas	BBB-	A+	08/22/03	Downgrade of dominant member, Lubbock, Texas.

Guam Power Authority, Guam	BB+	BBB	07/16/03	Financial pressures associated with widespread typhoon damage, diminished cash flow coverage, and weakened liquidity.
Granbury, Texas	A	A-	06/17/03	Improved financial performance and customer growth.
Northern California Power Agency (Geothermal Project), Calif.	BBB+	A-	01/20/04	Reduced credit quality of project participants.
Northern California Power Agency (Combustion Turbine Project #1), Calif.	BBB+	A-	01/20/04	Reduced credit quality of project participants.
Notes: Ratings are from May 31, 2003 to Jan. 20, 2004. PUD -- Public Utility District.				

Table 5 Previously Published Public Power Articles

Nov. 12, 2002	Public Finance Criteria: Public Power
Oct. 9, 2003	Credit Implications of Public Power Utilities' Power Purchases
Nov. 11, 2003	Prepurchased Power and its Implications for Public Power Ratings
May 20, 2003	Maximizing Public Power Rating Potential
May 27, 2003	Public Finance Report Card: Public Power and Cooperatives

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Alaska State Legislature
REPRESENTATIVE CHERYLL BOREN HEINZE
Chair: Economic Development; International Trade & Tourism

Existing Law regarding the RCA's Authority to consider costs in determining just and reasonable rates.

Sec. 42.05.431. **Power of commission to fix rates.**

(a) When the commission, after an investigation and hearing, finds that a rate demanded, observed, charged, or collected by a public utility for a service subject to the jurisdiction of the commission, or that a classification, rule, regulation, practice, or contract affecting the rate, is unjust, unreasonable, unduly discriminatory or preferential, the commission shall determine a just and reasonable rate, classification, rule, regulation, practice, or contract to be observed or allowed and shall establish it by order.....

[42.05.431 (a) specifies that the RCA does indeed have the authority to evaluate the costs asserted in the Patton Boggs letter. The RCA would not, under HB 453 have the ability to consider the internal wholesale relationship formed between a JAA and its member utilities. However, a new or existing contract between a utility which is not a member of the JAA and a utility which is a member of the JAA would still be subject to review under AS 42.05.431]

(b) A wholesale power agreement between public utilities is subject to advance approval of the commission. After a wholesale power agreement is in effect, the commission may not invalidate any purchase or sale obligation under the agreement. However, if the commission finds that rates set in accordance with the agreement are not just and reasonable, the commission may order the parties to negotiate an amendment to the agreement and if the parties fail to agree, to use the dispute resolution procedures contained in the contract.

[42.05.431 (b) recognizes the primacy of contracts in disputes over rates.]

Testimony of Christine Pihl (Seattle Northwest Securities)
Before the House Labor and Commerce Committee/

Given the importance that reliable and affordable electricity plays in our lives, it is in the public interest to insure that electric utilities are of sound financial health and have access to capital at cost-effective rates.

A utility's credit rating is a proxy for its cost of borrowing. Electric utilities, particularly those with generation and transmission assets, rely heavily on long-term borrowing to finance projects.

Credit ratings by national rating agencies provide an independent opinion on the financial health/position of a utility, particularly in comparison to other utilities.

The regulatory environment is one of several key factors evaluated by rating agencies to assess the credit worthiness of a utility.

For example, being regulated is viewed as constraining a utility's ability to respond to changes in financial conditions. If a utility is not free to address these issues, and a regulator has oversight, a rating analyst cannot be certain that the utilities financial goals, policies or projections will come to fruition.

If there is a history of favorable regulatory treatment, the effects of regulation can be somewhat muted.

In a situation where the regulatory body has a history of being neutral, the threat of regulatory interference may be somewhat lessened but its potential effect is still acknowledged.

The most difficult situation is that where there is a precedent of negative regulatory treatment. This creates a great deal of

uncertainty as to the financial future of a utility to existing and potential lenders, despite solid planning, clear financial strategy and goals and the desire to maintain a favorable credit rating. The regulatory environment can undermine all of this.

A recent example of this is the downgrading of Chugach Electric, in 2003 by the credit rating agencies. Negative regulatory treatment was cited by both agencies as the reason for the downgrades.

This is in sharp contrast to S&P's observations on the RCA's support as indicated in their write up from January 2002:

As is evident from these reports, the actions and interactions of the RCA directly impact the credit rating and hence the cost of capital that Chugach pays.

As the RCA position paper points out, the electric utility business is the most capital-intensive industry in Alaska. With Chugach supplying power to 2/3rds of Alaska and with ML&P supplying a large portion of the remainder, all of Alaska's electric consumers benefit from these public utilities having strong credit ratings to facilitate cost-effective financing of these large capital expenditures. To the extent that a regulatory body takes action to cause a decrease in financial stability or creates an unfavorable regulatory environment, it impacts all ratepayers' in the Railbelt.

Furthermore, as it becomes more evident that State regulators have increasing interest in financial profiles, to the extent that Alaska's regulatory environment does not support this thinking creates an even greater red flag for the rating agencies.

Everything that I have said here and attributed to S&P is echoed by Fitch Ratings, another leading independent provider of credit ratings. Fitch also took ratings action with respect to Chugach in

2003 with a two-notch downgrade (Oct 03/Dec 03) from A+ to A-, again largely attributable to regulatory action and the effects thereof.

You have the complete reports before you.

In Alaska, regulation is costing ratepayers due to higher costs of capital. Nationally, the regulatory environment has been cited as a constraint to financial flexibility:

CONCLUSIONS

Regulatory oversight is viewed as a constraint to financial flexibility and timely responsiveness in what has become an evolving, dynamic energy marketplace.

A negative regulatory environment casts a long shadow over the credit quality of those bodies it regulates.

A lower credit rating means higher borrowing costs, which translates into higher rates for ratepayers.

A credit rating below A- will cost ratepayers substantially more.

By and large around the nation, public utilities are not subject to the state regulatory oversight but rather are left to oversight by elected boards, members, or customers and customer representatives, all of whom have a direct vested interest in the financial stability and strength of the utility.

It is incumbent upon the regulatory body to be cognizant of the capital market ramifications and credit rating agency responses to its actions, as they are scrutinized carefully by these parties and directly affect the cost of capital for these capital-intensive utilities.

Subjecting the new Railbelt JAA to state regulatory oversight will cost electricity consumers in the Railbelt in the form of higher energy bills.

CHUGACH **ELECTRIC**

2003 Ratings



CHUGACH ELECTRIC ASSOCIATION, INC

Anchorage, Alaska, United States

Ratings

<u>Category</u>	<u>Moody's Rating</u>
First Mortgage Bonds	A2
Bkd Senior Secured	Aaa

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Opinion

Rating Rationale

Chugach's Aaa rating on its bonds reflects the insurance policy provided by MBIA Insurance Corporation, providing for the payment of principal and interest when due. The A2 underlying rating for these bonds has come under some pressure recently due to an unsupportive decision by the Regulatory Commission of Alaska (RCA) in the co-op's recently concluded rate case. This rate case outcome is in contrast to largely supportive regulatory treatment provided to Chugach in the recent past. Chugach's standalone credit fundamentals still benefit from its dominance in the Alaskan market, its low-risk operating profile, and generally conservative financial strategies. We also note that although some 30% of Chugach's total revenues come from two customers, these customers have signed either a take and pay or partial requirements contract with the co-op.

We note that although Chugach is a small co-op, it is still the largest power provider in Alaska, serving over two-thirds of the Railbelt and owning a majority of the transmission assets in Southcentral Alaska. Most of the co-op's generating capacity comes from gas-fired plants that are near the wellhead, making fuel costs more affordable. Although certain fuel costs are cyclical, Chugach has typically managed other costs and rolled on increases in sales to minimize the need for rate increases. Also, equity levels have been maintained at about 25%, while providing regular returns of capital to members. Lastly, any efforts to establish electric competition in Alaska are effectively at a standstill.

Recent Developments

Chugach's request for a 5.7% rate increase and a change in the rate setting methodology were denied in an order issued by the RCA on 2/6/03. Preliminarily, Chugach estimates revenue refunds required by the rate decision would cause an operating loss of about \$2MM for fiscal 12/31/02, causing a shortfall in meeting the required 1.1 interest coverage under the Rate Covenant in Chugach's bond indenture. Furthermore, Chugach would need to achieve cost savings or otherwise compensate for the rate reduction to restore compliance with the Rate Covenant in 2003. Importantly, noncompliance with the Rate Covenant interest coverage test is not

cause for acceleration of the obligations. Also, we note that on 2/18/03, the RCA agreed to stay some aspects of the order, including any change in rates, pending the outcome of Chugach's planned filing of a motion for reconsideration of the order on or before 2/28/03.

Rating Outlook - Stable

The outlook for the Aaa rating is stable as the bond insurance policy stands behind repayment of the obligations. We will continue to monitor the pressure on Chugach's underlying rating. The extent of relief will depend in part on the degree to which Chugach can be successful in obtaining a more supportive outcome through a planned filing of a motion for reconsideration of the 2/6/03 rate order.

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Reprinted from RatingsDirect

Chugach Electric Association; Utility, Wholesale Electric

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Credit Profile

DOWNGRADED, OFF CREDITWATCH

To

AAA/A-(SPUR)

From A

\$120,000 mil. Chugach Elec Assoc rev
bnds ser 2002A dtd 02/01/2002 due
02/01/2012

AAA/A-(SPUR)

A

\$60,000 mil. Chugach Elec Assoc rev
bnds ser 2002B dtd 02/01/2002 due
02/01/2012

AAA/A-(SPUR)

A

\$150,000 mil. Chugach Elec Assoc 1st lien
rev bnds ser 2001A dtd 04/17/2001 due
03/15/2011

AAA/A-(SPUR)

A

OUTLOOK:

NEGATIVE

Rationale

Standard & Poor's Ratings Services has removed from CreditWatch and lowered the underlying ratings on Chugach Electric Association, Alaska's revenue bonds to 'A-' from 'A', based on a recent decline in financial margins, the decision by regulators to lower its interest coverage target for the utility, and challenges associated with Chugach's exceptionally large amount of non-amortizing debt. The insured ratings on the bonds remain unaffected by the downgrade.

The underlying ratings on Chugach Electric Association, Alaska's revenue bonds are based on the following credit concerns:

- A reliance on regulatory approval of rates and the implications for credit quality of the Regulatory Commission of Alaska's (RCA) recent decision to reduce its interest coverage target for the utility;
- Weak financial performance in 2002, with a margin for interest (MFI) ratio of less than 1.1x versus 1.20x in 2001; and
- Heavy reliance on non-amortizing debt, with 70% of total outstanding principal due in 2011 and 2012.

Credit strengths include:

- Chugach's dominant market position, competitive rates, and relatively diverse service territory near Anchorage, Alaska;
- Chugach's dominant market position, competitive rates, and relatively diverse service territory near Anchorage, Alaska;
- The RCA's historic support for a quarterly-reset fuel cost adjustment charge, and statutory rate-setting controls that require compliance with Chugach's bond covenants; and
- Solid equity capitalization, accounting for 23% of assets as of Dec. 31, 2002, with no current plans for long-term debt issuance, apart from refundings.

Chugach Electric Association (Chugach) is a vertically integrated electric cooperative that provides electricity through its retail and wholesale operations to roughly two-thirds of Alaska's population, around Anchorage, the Kenai Peninsula, and the "Railbelt" corridor between Anchorage and Fairbanks. Chugach has approximately \$394 million in bonds outstanding as of Dec. 31, 2002. The bonds are unsecured obligations of Chugach, supported by revenues from its wholesale and retail power sales operations. Permissive legal provisions exempt Chugach from maintaining a debt service reserve account on any of its unsecured debt.

Chugach's business profile score is a '4' on Standard & Poor's 10-point scale, with "1" being the highest score. Chugach is Alaska's largest electric utility, with 61,000 retail customers and approximately 50% of the state's total generating capacity in a region with no outside transmission access. Chugach serves a moderately urban and growing service territory, with retail sales accounting for 64.8% of revenues in 2001 and residential customers accounting for 32.9% of revenues. Chugach faces no competition from investor-owned utilities, and its only meaningful competition is the municipal utility serving Anchorage, Anchorage Municipal Light & Power (MLP). Although Chugach's rates, at 4.9 cents per kWh, are only slightly above the regional average, contentious relations with the utility's two largest wholesale customers continue to distract management. The two wholesale customers have a history of pursuing regulatory and legal action in an effort to suppress Chugach's wholesale rates.

Financial performance was weak in 2002, with margin for interest coverage based on audited financials of less than 1.1x. Financial margins and interest coverage have diminished over the past two years, relative to historical levels. MFI coverage averaged 1.3x from 1996 to 2000, before falling to 1.2x or less in 2001 and 2002. Net operating margins (after interest) averaged \$7.3 million from 1996 to 2000, versus only \$3.6 million in 2002.

The recent decline in financial margins and the relaxing by regulators of Chugach's coverage target raises concern regarding regulatory support for the maintenance of Chugach's historically strong financial profile. In January 2003, the RCA issued a rate order that reduced Chugach's target times interest earned ratio (TIER) coverage level to 1.30x from 1.35x, requiring a rate refund for overcollection in 2000 and 2001. Following an appeal by the utility, the RCA revised its rate order, reducing the cost of the rate refund from an estimated \$7.1 million to \$1.6 million. Chugach is absorbing the cost of the refund through its cash reserves, which exceeded \$7 million as of Dec. 31, 2002.

Chugach expects to achieve MFI coverage of around 1.2x in 2003. Beyond 2003, MFI coverage remains above 1.3x, based on assumptions of 3% rate increases in 2004 and 2006. The projections also assume that the RCA will pass through to customers any increases in interest cost associated with Chugach's variable interest rate debt. Standard & Poor's continues to regard the forecasted interest coverage as thin for a utility with mostly non-amortizing debt.

Debt is high, but manageable, with a total debt-to-capital ratio of 75% as of Dec. 31, 2002, although Standard & Poor's considers the debt structure itself to be aggressive. Chugach's heavy reliance on non-amortizing debt introduces a significant level of refinancing risk to an otherwise moderate debt profile. The use of variable rate debt contributes to interest rate risk, especially given the utility's dependence on regulatory approval for recovery of rising interest rate costs. Chugach's \$60 million in variable-rate debt represents 15% of its overall debt burden. With increased refinancing and interest rate risk inherent in its new debt structure, Chugach's need for financial flexibility has increased.

Overall liquidity is adequate, but cash reserves remain low, given the utility's

relatively aggressive financial profile. Total liquidity, including unrestricted cash and undrawn credit lines, amounted to \$77.3 million, or 214 days' cash, as of Dec. 31, 2002. Chugach maintains over \$70 million in lines of credit with CoBank and National Rural Utilities Co-op Finance Corp, against which over \$50 million remained untapped as of fiscal year end 2002. Cash reserves have remained flat at historical levels, with unrestricted cash reserves of around \$7.3 million, or 22 days of operating expense at fiscal year's end. Chugach does not maintain a debt service reserve fund, and has no plans to develop a sinking fund with which to prepay principal payments on its non-amortizing debt. Interest earnings from \$7 million in cash reserves will do little to dampen rising interest rate costs on the utility's \$60 million in variable-rate debt.

Outlook

The negative outlook reflects Standard and Poor's concern regarding Chugach's ability to achieve sound financial margins going forward. Rating stability will hinge on Chugach's future financial performance and evidence of a clear strategy for managing risks associated with the utility's non-amortizing and variable-rate debt. Management plans to address these risks in its revised debt management policy, due for release in early 2004. Sound debt management policies could include: limiting growth in the utility's debt burden, periodic market purchases of outstanding debt, accumulation of debt amortization funds, and maintenance of strong liquidity. However, even with sound policies, chronically weak coverage margins could result in lower ratings.

Regulation

The RCA retains oversight authority over Chugach's rates, including fuel adders, whereas many other generation and transmission cooperatives (G&Ts) set their own rates. While state law requires that the RCA approve rate levels sufficient to meet Chugach's debt covenants (including the MFI covenant), the RCA has the authority to set rates at higher levels.

Standard & Poor's cited the RCA's historical regulatory support as a key credit factor in affirming the utility's rating at the time of Chugach's debt restructuring in 2001, which reduced the utility's rate covenant to 1.1x from 1.2x, and converted its debt obligations from mortgage to unsecured debt. By that time, the RCA had historically demonstrated a fair degree of regulatory support for Chugach through its rate-setting policies and its adopted rates. The RCA has consistently adjusted Chugach's rates to meet or exceed its target TIER of 1.35x, rebuffing repeated appeals by the utility's wholesale customers to reduce financial margins down to Chugach's previous 1.2x MFI interest coverage rate covenant. The RCA again demonstrated its regulatory support in November 2001, when it granted Chugach an additional 2.37% interim refundable rate increase in addition to the 1.6% interim base-rate increase awarded two months later. The two rate increases totaled 3.97%, just under the 4.0% rate increase that Chugach originally requested.

However, recent regulatory action by the RCA suggests that its support for Chugach's credit quality has declined. The revised RCA rate order reduces Chugach's target TIER coverage level to 1.30x from 1.35x and requires that Chugach refund to ratepayers approximately \$1.6 million for overcollection in 2001 and 2002. The last round of ratepayer refunds occurred in 2000, when

the RCA ordered Chugach to refund \$1.9 million in relation to the 1996 test year filing and \$1 million in relation to the 1997 test year filing.

Standard & Poor's is also concerned that, in adjusting Chugach's rates, the RCA may be relying on financial metrics that do not take into account the challenges of servicing Chugach's largely non-amortizing debt burden. Since the restructuring of the utility's debt in 2000 and 2001, the RCA has adhered to its traditional interest coverage metrics. However, the conversion of Chugach's debt to largely non-amortizing debt naturally boosts the utility's coverage ratios, due to the shifting of principal payments over many years to principal payments in only a few years. As a result, TIER and MFI ratios may be misleading indicators of financial performance.

Despite the trend toward weakening margins, several favorable regulatory support mechanisms and policies remain in place. Foremost is the RCA's ongoing support for Chugach's fuel surcharge adjustment factor. The RCA granted Chugach this surcharge, reset quarterly, to address the utility's fuel risk. Under its fuel supply contracts, Chugach's fuel prices are adjusted based on three indices, incorporating a natural gas component, a crude oil component, and a home-heating oil component. To date, the RCA has not denied Chugach the rates it sought to be set for adjusted fuel costs, and the agency usually issues its decision on fuel adders within the allotted 45-day deadline.

Management

A seven-member board of directors, elected at large from Chugach's retail membership, oversees the cooperative. Elections are staggered, and members serve three-year terms. Chugach does sell wholesale electricity to several distribution cooperatives, but these customers have limited influence on the rate-setting or governance of Chugach. The wholesale members do not have a seat on the utility's board of directors and wield only a single vote a piece, with no more weight than those of any of Chugach's 61,000 retail customers. The board may convene at any time to review rates and may initiate a base rate change at any meeting, though the RCA must approve the change.

Competitive Position

Chugach faces very little competition in its generation, transmission or distribution services. There are no investor-owned utilities within its service area, and the service area is not interconnected with the rest of the state. The energy needs of Chugach's wholesale customers far outstrip their own generating resources. The only meaningful competition Chugach faces is the municipal utility serving Anchorage, Alaska, MLP. Chugach's rates are average relative to other providers in the area, but slightly higher than MLP's. In 2003, Chugach's average residential rate of 10.6 cents per kWh was about 9% higher than MLP's. The gap between commercial rates was even narrower, with Chugach's 8.0 cents per kWh rate only 3% higher than MLP's rate.

Markets

Chugach serves a relatively urban service area in the Kenai Peninsula, the suburbs of Anchorage, and, through its economy energy customer, Golden Valley Electric Association (GVEA), an area south of Fairbanks. Alaska and

Chugach's service territory is heavily dependent on primary commodity products, particularly the price of a barrel of oil. The state government receives a large portion of its general fund revenues from petroleum taxes and royalties. This reliance is tempered somewhat by the substantial federal government presence. There are several large military bases in Alaska, and the administration of the approximately 60% of Alaskan land set aside as parks or other protected spaces demands considerable personnel. The diversity of Anchorage's economic base compares favorably with that of other Alaskan cities. Anchorage is the headquarters for development and production of petroleum resources in the North Slope and the Cook Inlet. Anchorage also hosts about two-thirds of the tourists visiting the state. Per capita income in Anchorage is about 130% of the national average, but the cost of living is also higher.

Chugach's markets are divided among its retail and wholesale operations in a manner that sets it apart from most G&T cooperatives. Half of its sales are to retail residential meters, whereas most G&Ts sell to distribution cooperatives only. Chugach sells the remaining half of its power to three wholesale cooperatives, mainly MEA, Homer Electric Association (HEA), and Seward Electric System (SES).

Chugach's retail operation accounted for about 48% of both sales and revenues in 2002. Chugach's retail operations can be characterized by a lack of concentration both in terms of energy sales and revenues derived. The largest customer, the City of Anchorage, accounted for 2.1% of revenues and 1.1% of sales in 2002. Chugach has a meter per line mile ratio of over 150, which is high relative to those of most cooperatives. Retail revenues were roughly split between residential and commercial meters at 33% and 32%, respectively, of total revenues in 2002. Chugach has no large industrial customers.

Wholesale energy sales totaled approximately 52% of total sales in 2002. MEA and HEA are the two largest oftakers, at 22% and 19%, respectively. The contracts with MEA and HEA extend until 2014. Chugach also makes what it calls "economy" (or non-firm) energy sales to GVEA, which serves about 36,000 meters. Chugach has a contract to furnish economy energy to GVEA through 2008. Power to GVEA is not included in Chugach's forecasts due to its interruptible nature. Chugach has only one all-requirements wholesale power customer, whereas most other G&Ts sell their wholesale power exclusively through all-requirement contracts extending for the life of outstanding debt.

Operations

Chugach is the dominant electric utility in the State of Alaska, and owns or purchases 654 MW out of the "Railbelt" region's total of approximately 1,200 MW. Chugach also operates 402 miles of transmission line, 1,590 miles of distribution line, and owns or contractually operates 467 MW of capacity. Chugach's generation consists of numerous small turbines and plants, which generally exhibit strong availability factors. The Beluga Station, a 326 MW gas-fired station composed of seven turbines, is the largest generating station in Alaska and Chugach's most important generating asset; it accounts for 62% of Chugach's total capacity. System peak was 415 MW in 2002. Chugach plans for a 30% reserve, double that Standard & Poor's usually

sees, due to its isolated location. Current capacity is expected to be sufficient until 2009 or 2010.

The cooperative's power supply portfolio is heavily weighted toward gas-fired generation (around 90%), with hydroelectric resources contributing the remainder. Chugach has long-term contracts for its natural gas supply through what is known as the Beluga producers (which operate the Beluga gas field, on top of which the Beluga unit is located) and Marathon Oil. Chugach predicts that, given its current gas consumption, its contractual allocation of gas production will be exhausted by 2012 in the case of the Beluga Producers and 2008 with Marathon. Current pricing is based on a flat fee plus tracking indices that match those it files with the RCA, thus effectively passing on fuel costs to end customers. In roughly 2008 (projected based on current consumption), the fuel-pricing mechanism will shift to one that is entirely market based. Before that time, Chugach hopes to renegotiate its pricing with the producers to insulate itself from some of the volatility associated with the natural gas market.

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The McGraw-Hill Companies

Fitch Downgrades Chugach Elec Assoc Bonds to 'A-'; Stable Outlk

Fitch Ratings—New York—December 12, 2003: Fitch Ratings has downgraded Chugach Electric Association, Inc.'s (Chugach) \$330 million in outstanding senior unsecured bonds to 'A-' from 'A', and has removed the Negative Rating Watch. Fitch has assigned a Stable credit outlook. The rating represents an underlying rating as the bonds are insured by MBIA Assurance Corp., whose financial strength is rated 'AAA' by Fitch. The downgrade reflects a negative stance taken by the Regulatory Commission of Alaska (RCA) toward Chugach in 2003 and tighter projected financial protection measures as a result. The rating downgrade and removal from Negative Rating Watch follows a recent meeting with management updating Chugach's financial projections and management's prospective business and rate strategy.

Historically, Chugach has benefited from consistently solid financial performance, competitive electric retail rates, diversified customer base, and a supportive regulatory framework. In addition, long-term, firm natural gas supply contracts have helped support solid operating generation assets and, along with two hydroelectric power purchase contracts, have met the needs of a moderately growing service territory. Financial performance had been very stable through 2001, with debt service coverage ranging from 1.50-1.85 times (x), and times interest earned ratio (TIER) at 1.35x or higher. Chugach's balance sheet was similarly solid, with equity-to-total capitalization in the 25%-29% range since 1996. Chugach's key concern had been the ongoing discontent among its wholesale customers, but their attempts to change Chugach's operations and/or acquire the utility have not been successful.

Beginning in early 2003, a series of RCA rate orders ensued which were uncharacteristically negative for Chugach, and eventually led to the credit rating downgrade. On July 10, 2001, Chugach filed a general rate case with the RCA seeking a 6.5% rate increase, or net margins of \$11.9 million. The additional revenues were needed to help fund capital expenditures, meet rising operating expenses, and build equity to 30%. Chugach was also requesting an interim rate increase of 4%. After rendering two rate decisions, the RCA eventually approved an interim rate increase of 3.97% (effective Nov. 1, 2001), but the RCA's decisions quickly deteriorated for Chugach thereafter.

Following an updated rate case filing by Chugach on April 15, 2002, whereby Chugach requested a lower base rate increase (5.7%) than originally filed, the RCA rendered its initial decision (Rate Order No. 26). RCA Order No. 26 resolved certain issues in Chugach's favor, but the financial adjustments were by and large more heavily weighted against Chugach including: (1) reduction in overall TIER from 1.35x to 1.30x (a loss in margins of about \$1.3 million), (2) disallowance of capitalized interest as interest expense, (3) lowering recoverable interest expense on variable rate securities, and (4) shifting a larger portion of revenue requirement on retail users by reducing the allowable TIER for wholesale customers to 1.10x from 1.15x. In addition, Chugach would have to refund the interim rate increase collected since implementation (approximately \$--- million for 2001 and 2002).

Pursuant to Order No. 26, Chugach's financial performance fell below the 1.10x TIER requirement and resulted in a net loss of \$2 million for 2002. If the Order remained as is, Chugach would not meet the 2003 TIER requirement as well. Chugach subsequently filed a motion to stay the Order (Feb. 13, 2003), which the RCA granted in part, and also filed a Petition for Reconsideration on Feb. 28, 2003. Several RCA orders followed which reversed and/or clarified Rate Order No. 26. Key changes to Order No. 26, which were generally positive for Chugach, included: recoverable variable rate debt interest expense was returned to 3.8% level, recovery of certain legal expenses was allowed, and approved retail rate increase of 3.5% and wholesale rate decrease of 7.9% (+0.8 million annually, in aggregate). Conversely, the RCA did not alter the lowering of overall TIER to 1.30x, the lowering of wholesale customers' TIER to 1.10x, and disallowance of capitalized interest as interest expense. The RCA's final rate order was rendered Sept. 18, 2003, and Chugach does not plan to file any new rate requests with the RCA for sometime.

Consequently, on a net basis, Chugach is projecting net margins of \$8.0 million for 2003, and approximately \$6 million per year through 2006. TIER is estimated at 1.34x for 2003, and 1.20-1.25x for 2004-2006. Equity to total capitalization is projected to be rise from 25% currently to 28% by 2006. Actual equity levels will vary, however, depending upon annual operating results, capital

expenditure levels and patronage capital distributions. For 2003, patronage capital distributions are zero, due to lack of net margins generated in the prior year.

While the Chugach rate case is now closed, there are three new commissioners (and new associated staff) among the 5-member appointed RCA. As a result, given the untested and uncertain direction of the new members of the RCA, the regulatory risk remains a concern. Partially offsetting this risk are the following factors: Chugach should not need rate relief until 2006, Chugach is working with RCA and the legislature to address the power supply issues facing the state, and Chugach has the option to request its members' approval to eliminate regulation by the RCA. Lastly, while Chugach's financial performance ratios are reasonable and not out-of-line with straight 'A' level cooperatives, the regulatory uncertainty and certain ongoing wholesale customer discontent brings the rating down to the 'A-' level, with a Stable Outlook.

Chugach is the largest electric utility provider in Alaska, serving either directly or through wholesale sales roughly two-thirds of all electric customers in the state, or approximately 175,000 users.

Contacts: Lina Santoro +1-212-908-0522 or Alan Spen +1-212-908-0594, New York.

HB

455

HFIN

FILE

SITE: ANCHORAGE

SUBJECT OF MEETING:

COMMITTEE: HFIN

BILL # HB 456

DATE: 2-18-04

UPDATE #:

PRINT YOUR NAME

COMMUNITY

REPRESENTING/AFFILIATION

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Y or N

Reg. Sec. 1A + b

Josh Fink

Anchorage

Public Advocate

Ans ?s

HB 456

Dave Marquez

*FAST
Sec 2*

Asst AG Law

Laura Glaiser

Director

Div of Elections, Office of LT Gov

fast Sec 4

Susan Taylor

Director

Div of Administrative Services, Revenue

Sec 3

(A) - (b)

Dico Bus

Director

Div of Adm. Ser, DNR

Shelly Owens, Emergency Medical Services, Department of Health and Social Services

Bills previously heard/scheduled:

February 18, 2004 - Wednesday

9:00 am, room 532

Joint with Senate Finance

Overview: University

1:30 pm

HB 455-FIRST SUPPLEMENTAL APPROPRIATION

HB 456-SECOND SUPPLEMENTAL APPROPRIATION

✓ Vicky Backus, Recorder's Office

✓ Dick Mylius, Division of Mining, Land & Water

✓ Jeff Jahnke, Division of Forestry

✓ Bill Jeffress, Office Project Mgt & Permitting -- which dept.

✓ Gary Morrison, Division of Parks

✓ Pete Panarese, Division of Parks Bills previously heard/scheduled.

✓ Kathryn D

Janet Clarke

February 19, 2004 - Thursday

HB 15-TELEMARKETERS NO-CALL LISTS

Representative Fate

Needs new notes/requested 2/12

Teleconference: Anchorage LIO

Cynthia Drinkwater 269 5103

Expected but not contacted:

Steve Cleary, AKPIRG

Marie Darlin or Pat Luby AARP

Judy Warwick, GCI

SB 283-APPROP: REVERSE 2003 CBR SWEEP

(Pending introduction and referral.)

Bills previously heard/scheduled.

February 20, 2004 - Friday

No meeting scheduled.

N drive

Scan

Roxanne

Subject: HB 456 hearing DCED participants

Date: Tue, 17 Feb 2004 15:11:28 -0900

From: Tom Lawson <Tom_Lawson@dced.state.ak.us>

To: Roxanne C Turner <roxanne_turner@legis.state.ak.us>

CC: Dawn D Bishop-Kleweno <dawn_bishop-kleweno@rca.state.ak.us>, Sara L Fishergoad <sfishergoad@aidea.org>

Dawn Bishop-Kleweno, RCA Special Staff Assistant, and Sara Fisher-Goad, AIDEA/AEA Financial Analyst, will be calling on 1-800-395-5073 to be available to respond to detailed questions regarding the Department of Community and Economic Development's supplemental budget requests. I'll be there in person.

Thank you for your assistance.

Tom Lawson, Director
Division of Administrative Services
Department of Community and Economic Development
P.O. Box 110803
Juneau, Alaska 99811-0803
(907) 465-2506 Fax (907) 465-2563

HB

456

HFIN

FILE

FY2004 SL .EMENTALS

	A	B	C	D	E	F	G	H	I
1	Sec. No.	Department	BRU or Component	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
2	FAST TRACK SUPPLEMENTAL								
3	1	Administration	ETS	Appropriates the ACS disentanglement settlement of \$3,447,647 from the General Fund to the Information Services Fund	3,447.6				3,447.6
4	2	Law	Environmental Law	Exxon Valdez Oil Spill ongoing costs for experts and outside counsel to analyze continuing injury and develop restoration options; June 30, 2005 lapse date.			100.0	EVOS Restoration	100.0
5	3	Fish & Game	Capital	Receipts from City & Borough of Juneau to complete work at the Indoor rifle range in Juneau. These receipts have already been received, and work at the rifle range is scheduled to start early spring.			75.0	Statutory Des Prgm Rcp's	75.0
6	4	Governor	Elections	General funds needed for the Help America Vote Act (HAVA) fund maintenance of effort. Some work on the upcoming primary and general elections will take place during FY 04.	180.0				180.0
7	5(a)	Health & Soc Svcs	Capital	Add the capital project for the State veterans' home conversion in Palmer to speed up the design work and take advantage of the summer construction season. A corresponding FY 05 capital amendment will also be submitted to delete the project from the FY 05 budget.	459.2	2,275.0	765.8	ASLC Dividend	3,500.0
8	5(b)	Health & Soc Svcs	Alaska Senior Assistance Program	Reduce excess federal fiscal relief funds		-3,334.0		Fed Unrestricted Rcpls	(3,334.0)
9	5(c)	Health & Soc Svcs	Senior Care	Use excess federal fiscal relief funds for FY 04 costs for Senior Care program		3,334.0		Fed Unrestricted Rcpls	3,334.0
10	5(d)	Health & Soc Svcs	Senior Care	FY 04 costs for Senior Care program	154.0				154.0
11	5(e)(1)	Health & Soc Svcs	Alaska Longevity Programs Mgmt	FY 04 costs for Senior Care program	46.0				46.0
12	5(e)(2)	Health & Soc Svcs	Health Purchasing Group	FY 04 costs for Senior Care program	85.0				85.0
13	5(e)(3)	Health & Soc Svcs	Public Assistance Administration	FY 04 costs for Senior Care program	25.0				25.0
14	5(e)(4)	Health & Soc Svcs	Public Assistance Data Processing	FY 04 costs for Senior Care program	6.8				6.8
15	6(a)	Natural Resources	Recorder's Office	Increased costs to process heavy volume of mortgage refinance activity			300.0	Receipt Supported Services	300.0
16	6(b)	Natural Resources	Office of Habitat Mgt. and Permitting	Replace unrealized Inter-agency receipts in order to fulfill workload requirements	150.0				150.0
17	6(c)	Natural Resources	Capital	Increased activity in Remote Recreational Cabin Site Survey Contracts			119.0	Land Disposal Income Fund	119.0
18	7	Public Safety	Capital	Scope change for the Ketchikan Public Safety Building appropriation, sec. 1, ch. 82, SLA 2003, pg. 33, ln. 22, to include a purchase of a building and adjacent lot and improvements.					0.0
19	8(a)	Revenue	Alaska Permanent Fund Corp.	Increased costs to advocate for POMV			300.0	Perm Fund Rcpls	300.0
20	8(b)	Revenue	Alaska Permanent Fund Corp.	Authorization that APFC may advocate for POMV					0.0
21	9(a)	Transportation	Anchorage Airport Administration	Tenant Improvement inspection oversight. DOT will contract out management of the extensive tenant building activity for the few months prior to opening the terminal. Internal staff cannot handle this level of one-time activity. Cost will not affect FY 05 budget.			200.0	Internal Airports Revenue Fund	200.0

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
22	9(b)	Transportation	Anchorage Airport Facilities	Concourse C operations costs of planning and implementation of the consultant contract (to be hired in March) and the first month (June) of operations and maintenance.			1,500.0	Internat'l Airports Revenue Fund	1,500.0
23	9(c)	Transportation	Capital	Federal contract to perform maintenance and operation for 5 years at Adak air facility. Interest earnings must be spent on the Adak air facility.		10,000.0		Adak Airport Operations	10,000.0
24	10(a)	Transportation	Capital	Earmarked projects passed in January's federal omnibus bill which must all be obligated before September 30, 2004:					0.0
25	10(a)(1)	Transportation	Capital	Alaska Statewide Airports Runway and Related Improvements (ED 99)		3,000.0	157.9	AIDEA Dividend	3,157.9
26	10(a)(2)	Transportation	Capital	Fairbanks Terminal Redevelopment (ED 60)		1,000.0	52.7	Intern'l Airport Revenue Fund	1,052.7
27	10(a)(3)	Transportation	Capital	Kodiak Terminal Improvements (ED 36)		1,000.0	26.4	AIDEA Dividend	1,026.4
28	10(a)(4)	Transportation	Capital	University of Alaska Transportation Research Center (ED 99)		2,000.0			2,000.0
29	10(a)(5)	Transportation	Capital	Circumpolar Infrastructure Task Force, Arctic Council and Northern Forum (ED 99)		1,000.0			1,000.0
30	10(a)(6)	Transportation	Capital	Kotzebue Dust and Persistent Particulate Abatement Research (ED 40)		1,000.0	250.0	AIDEA Dividend	1,250.0
31	10(a)(7)	Transportation	Capital	Coffman Cove/Wrangell/Petersburg Ferries and Ferry Facilities (ED 1-5)		2,000.0	500.0	AIDEA Dividend	2,500.0
32	10(a)(8)	Transportation	Capital	Arctic Winter Games Transportation Improvements (ED 99)		1,000.0			1,000.0
33	10(a)(9)	Transportation	Capital	Fl. Wainwright Alternative Access and Chena River Crossing (ED 60)		5,700.0	565.8	AIDEA Dividend	6,265.8
34	10(a)(10)	Transportation	Capital	Big Lake to Wasilla Pedestrian Trails (ED 70)		500.0			500.0
35	10(a)(11)	Transportation	Capital	Kincaid Park Trail Connection (ED 50)		900.0			900.0
36	10(a)(12)	Transportation	Capital	Funny River Bridge Crossing (ED 93)		5,000.0			5,000.0
37	10(a)(13)	Transportation	Capital	Glacier Creek/Nome Bypass (ED 39)		3,000.0			3,000.0
38	10(a)(14)	Transportation	Capital	McCarthy Creek Tram (ED 6)		200.0			200.0
39	10(a)(15)	Transportation	Capital	Bartlett Access Intersection Safety Improvement (ED 50)		500.0			500.0
40	10(a)(16)	Transportation	Capital	Nome Bypass Road (ED 39)		2,000.0			2,000.0
41	10(a)(17)	Transportation	Capital	C Street Railroad Bypass (ED 50)		2,000.0			2,000.0
42	10(a)(18)	Transportation	Capital	Chenega Road system (ED 5)		850.0			850.0
43	10(a)(19)	Transportation	Capital	Craig Road Improvements (ED 5)		1,000.0			1,000.0
44	10(a)(20)	Transportation	Capital	Donlin Creek Road (ED 6)		10,000.0			10,000.0
45	10(a)(21)	Transportation	Capital	False Pass Causeway and Road to the Terminus of the South Arm Breakwater (ED 37)		3,000.0			3,000.0
46	10(a)(22)	Transportation	Capital	Fairbanks Transit Bus Replacement (ED 60)		3,000.0			3,000.0
47	10(a)(23)	Transportation	Capital	Girdwood Project (ED 32)		1,000.0			1,000.0
48	10(a)(24)	Transportation	Capital	Hydaburg Road Improvement (ED 5)		2,000.0			2,000.0
49	10(a)(25)	Transportation	Capital	Keystone Drive and Related Improvements (ED 90)		1,500.0			1,500.0
50	10(a)(26)	Transportation	Capital	Lucille Street and Mack Drive Improvements-Wasilla (ED 14)		1,000.0			1,000.0
51	10(a)(27)	Transportation	Capital	Mat-Su Roads Improvement (ED 70)		3,000.0			3,000.0
52	10(a)(28)	Transportation	Capital	North Pole Roads Lighting ((ED 11)		950.0			950.0
53	10(a)(29)	Transportation	Capital	North Slope Borough Road Improvements (ED 40)		3,000.0			3,000.0
54	10(a)(30)	Transportation	Capital	Port of Ketchikan Ferry Facility (ED 1)		1,000.0			1,000.0
55	10(a)(31)	Transportation	Capital	Seldovia-Homer-Jakolof Bay Halibut Cove Ferry Planning and Design (ED 35)		2,000.0			2,000.0
56	10(a)(32)	Transportation	Capital	Seward Road Improvements (ED 35)		2,000.0			2,000.0
57	10(a)(33)	Transportation	Capital	Ship Creek Improvements (ED 50)		1,000.0			1,000.0
58	10(a)(34)	Transportation	Capital	Sitka Road Improvements (ED 2)		1,500.0			1,500.0
59	10(a)(35)	Transportation	Capital	University of Alaska Transportation Research Center (ED 99)		2,000.0			2,000.0
60	10(a)(36)	Transportation	Capital	Williamsport/Pile Bay Road Kenai (ED 90)		3,000.0			3,000.0
61	10(a)(37)	Transportation	Capital	Winner Creek Trail Improvements (ED 50)		1,000.0			1,000.0
62	10(a)(38)	Transportation	Capital	Yakalaga River Bridge (ED 5)		3,000.0			3,000.0
63	10(a)(39)	Transportation	Capital	Alaska Mobility Coalition Bus Replacement (ED 99)		500.0			500.0

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
64	10(a)(40)	Transportation	Capital	Coffman Cove Inner Island Ferry/Bus Terminal (ED 1-5)		1 500.0	375.0	AIDEA Dividend; ASLC Dividend	1,875.0
65	10(a)(41)	Transportation	Capital	Mobility Coalition (ED 99)		500.0			500.0
66	10(b)	Transportation	Capital	Fund source section for projects listed in section 10(a)					0.0
67	11			Lapse of Appropriations					0.0
68	12			Contingent Effect and Contingent Effective Date					0.0
69	13			Effective Date					0.0
70									0.0
71				FAST TRACK BILL TOTAL	4,553.6	93,375.0	5,267.6		103,216.2
72									
73	REGULAR SUPPLEMENTAL								
74	1(a) and (b)	Administration	OPA	FY 04 projected caseload and case cost growth.	800.0		300.0	Statutory Des Prgm Rcpls	1,100.0
75	1(c)	Administration	Public Defender	FY 04 projected caseload and case cost growth.	650.0				650.0
76	2(a)	Community	Regulatory Commission of Alaska Audits & Investigations	Additional funds for expert witness costs are required for a) completion of Alaska Communications Systems cases (\$20.0), b) Enstar case participation (\$15.0), c) assistance on the telecom regulations preceeding responsive to HB 111 (\$20.0), d) participation in other cases (\$60.0).			115.0	RCA Rcpls	115.0
77	2(b)	Community	Regulatory Commission of Alaska	Due to major developments in Cook Inlet and the Trans Alaska Pipeline System, the Regulatory Commission of Alaska's effort in regulating pipelines has significantly increased. To provide the necessary expertise two new positions, a range 21 Research Analyst IV and a range 19 Utility Financial Analyst are requested. Funds for additional office space, furniture and equipment are also requested.			114.6	RCA Rcpls	114.6
78	2(c)	Community	Capital	Repeal of funds to Saxman for Public Safety Bldg sec. 87, ch. 1, SSSLA 2002, pg. 138, ln. 9. Actual grant amount is \$1,074,341.	(1,074.3)				(1,074.3)
79	2(d)	Community	Power Cost Equalization	PCE Endowment fund appropriation to PCE fund to replace the general funds requested in FY 05 budget. This is the balance of the statutory 7% limit of the PCE Endowment monthly average market value available for appropriation in FY 04. An FY 05 budget amendment will also be submitted.			4,581.0	PCE Endowment Fund	4,581.0
80	3(a)	Corrections	Inmate Health Care	The cost of drug and scientific supplies continue to rise annually and contractual costs have increased due to eight catastrophic cases, each costing in excess of \$100.0.	1,100.0				1,100.0
81	3(b)	Corrections	Out of State Contracts	Due to increases in population and subsequent management of placement of prisoners, the out of state contracts and related travel costs are increasing from the budgeted 650 prisoners to in excess of 775 by the end of FY 04.	920.0				920.0
82	4(a)	Education	Foundation	FY 04 foundation program entitlement adjustment based on actual student count.	(3,654.0)				(3,654.0)
83	4(b)	Education	Pupil Transportation	Pupil transportation program adjustment based on actual student count	(781.4)				(788.4)
84	5 (a) - (d)	All	Federal and Other Program Receipts	Technical correction to the LB&A language in FY 02-04 which changes "shall be reduced" to "may be reduced".					0.0
85	6	Fish & Game	Capital	Language change to FY 02 appropriation relating to use of the proceeds from sale of vessels to also include repair and maintenance of vessels					0.0
86	7	Governor	Elections	Additional Election Funds for improving accessibility to voting locations.			100.0	Election Fund	100.0
87	8(a)	Health & Soc Svcs	Pioneer Homes	Transfer within H&SS to cover projected funding shortfall as part of net-zero general fund supplemental.	711.9				711.9
88	8(a)	Health & Soc Svcs	Pioneer Homes	Excess authority from discontinued Longevity Bonus payments relating to failed SB 117.			(775.0)	Receipt Supported Services	(775.0)
89	8(b)	Health & Soc Svcs	Alcohol Safety Action Program	Operating expense belt tightening to achieve net-zero general fund supplemental	(42.1)				(42.1)
90	8(b)	Health & Soc Svcs	Behavioral Health Medicaid Services	Increased federal receipts for Medicaid		6,669.0			6,669.0
91	8(c)	Health & Soc Svcs	Community Action & Prevention Grants	Grant savings due to belt tightening	(50.2)				(50.2)

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
92	8(c)	Health & Soc Svcs	Rural Services & Suicide Prevention	Travel belt tightening and grant savings to achieve net-zero general fund supplemental	(17.8)				(17.8)
93	8(d)	Health & Soc Svcs	Children's Services Management	Operating expense belt tightening to achieve net-zero general fund supplemental	(3.5)				(3.5)
94	8(d)	Health & Soc Svcs	Children's Services Training	Operating expense belt tightening to achieve net-zero general fund supplemental	(8.5)				(8.5)
95	8(d)	Health & Soc Svcs	Front Line Social Workers	Operating expense belt tightening of 96.3 to achieve net-zero general fund supplemental and anticipated additional Social Services Block Grant funds of 150.0	(246.3)				(246.3)
96	8(d)	Health & Soc Svcs	Family Preservation	Medicaid Private Hospital Proshare Grant Refinancing of 798.8 and 11.2 in operating expense belt tightening	(810.0)				(810.0)
97	8(d)	Health & Soc Svcs	Foster Care Base Rate	Belt tightening in the travel line item	(31.4)				(31.4)
98	8(d)	Health & Soc Svcs	Subsidized Adoptions & Guardianship	Belt tightening in the travel line item	(2.5)				(2.5)
99	8(d)	Health & Soc Svcs	Residential Child Care	Medicaid Private Hospital Proshare Grant Refinancing	(214.2)				(214.2)
100	8(d)	Health & Soc Svcs	Women, Infants and Children	Belt tightening in the supplies line item	(5.3)				(5.3)
101	8(e) - (f)	Health & Soc Svcs	Medicaid Services	Increased Medicaid costs covered by the Department through net-zero general fund supplemental	2,938.7		280.5	Tobacco Ed/Ces	3,219.2
102	8(e) - (f)	Health & Soc Svcs	Catastrophic and Chronic Illness Assistance	Increased costs covered by the Department through net-zero general fund supplemental	246.7				246.7
103	8(e) - (f)	Health & Soc Svcs	Women's and Adolescents Services	Transfer of excess Receipt Supported Services authority from within the department. This is a clean up from the FY 04 reorganization of the department.			675.0	Receipt Supported Services	675.0
104	8(g)	Health & Soc Svcs	McLaughlin Youth Center	Operating expense belt tightening to achieve net-zero general fund supplemental	(109.3)				(109.3)
105	8(g)	Health & Soc Svcs	Mat-Su Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(13.0)				(13.0)
106	8(g)	Health & Soc Svcs	Kenai Peninsula Youth Facility	200.0 savings from delay in opening the facility plus 112.4 in operating expense belt tightening to achieve net-zero general fund supplemental	(312.5)				(312.5)
107	8(g)	Health & Soc Svcs	Fairbanks Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(35.4)				(35.4)
108	8(g)	Health & Soc Svcs	Belhel Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(35.7)				(35.7)
109	8(g)	Health & Soc Svcs	Nome Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(15.9)				(15.9)
110	8(g)	Health & Soc Svcs	Johnson Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(40.0)				(40.0)
111	8(g)	Health & Soc Svcs	Ketchikan Regional Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(6.2)				(6.2)
112	8(g)	Health & Soc Svcs	Probation Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(110.0)				(110.0)
113	8(g)	Health & Soc Svcs	Delinquency Prevention	Operating expense belt tightening to achieve net-zero general fund supplemental	(0.4)				(0.4)
114	8(h)	Health & Soc Svcs	Child Care Benefits	Operating expense belt tightening to achieve net-zero general fund supplemental	(62.0)				(62.0)
115	8(h)	Health & Soc Svcs	General Relief Assistance	Operating expense belt tightening to achieve net-zero general fund supplemental	(1.0)				(1.0)
116	8(h)	Health & Soc Svcs	Public Assistance Administration	Operating expense belt tightening to achieve net-zero general fund supplemental	(6.1)				(6.1)
117	8(h)	Health & Soc Svcs	Public Assistance Field Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(82.9)				(82.9)

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
118	8(h)	Health & Soc Svcs	Public Assistance Data Processing	Operating expense belt tightening to achieve net-zero general fund supplemental	(41.7)				(41.7)
119	8(h)	Health & Soc Svcs	Fraud Investigation	Operating expense belt tightening to achieve net-zero general fund supplemental	(2.1)				(2.1)
120	8(h)	Health & Soc Svcs	Quality Control	Operating expense belt tightening to achieve net-zero general fund supplemental	(21.3)				(21.3)
121	8(h)	Health & Soc Svcs	Work Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(17.2)				(17.2)
122	8(i)	Health & Soc Svcs	Senior/Disabilities Medicaid Services	Increased federal receipts for Medicaid		24,098.6			24,098.6
123	8(j)	Health & Soc Svcs	Nursing	Operating expense belt tightening to achieve net-zero general fund supplemental	(188.6)				(188.6)
124	8(j)	Health & Soc Svcs	Public Health Administrative Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(4.1)				(4.1)
125	8(j)	Health & Soc Svcs	Epidemiology	Operating expense belt tightening to achieve net-zero general fund supplemental	(55.9)		(34.4)	Tobacco Ed/Ces	(90.3)
126	8(j)	Health & Soc Svcs	Bureau of Vital Statistics	Belt tightening of 3.9 plus fund change of 100.0 in anticipation of excess Receipt Supported Services revenues	(103.9)		100.0	Receipt Supported Services	(3.9)
127	8(j)	Health & Soc Svcs	Community Health/EMS Services	Medicaid Private Hospital Proshare Grant Refinancing of 1043.2 plus operating expense belt tightening of 25.7	(1,068.9)				(1,068.9)
128	8(j)	Health & Soc Svcs	Community Health Grants	Medicaid Private Hospital Proshare Grant Refinancing			(163.2)	Tobacco Ed/Ces	(163.2)
129	8(j)	Health & Soc Svcs	State Medical Examiner	Operating expense belt tightening to achieve net-zero general fund supplemental	(11.3)				(11.3)
130	8(j)	Health & Soc Svcs	Public Health Laboratories	Operating expense belt tightening to achieve net-zero general fund supplemental	(74.8)				(74.8)
131	8(j)	Health & Soc Svcs	Tobacco Prevention and Control	Operating expense belt tightening to achieve net-zero general fund supplemental			(82.9)	Tobacco Ed/Ces	(82.9)
132	8(k) - (l)	Health & Soc Svcs	Commissioner's Office	Operating expense belt tightening to achieve net-zero general fund supplemental	(2.8)				(2.8)
133	8(k) - (l)	Health & Soc Svcs	Office of Program Review	Operating expense belt tightening to achieve net-zero general fund supplemental	(0.3)				(0.3)
134	8(k) - (l)	Health & Soc Svcs	Rate Review	Operating expense belt tightening to achieve net-zero general fund supplemental	(5.6)				(5.6)
135	8(k) - (l)	Health & Soc Svcs	Administrative Support Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(31.1)				(31.1)
136	8(k) - (l)	Health & Soc Svcs	Personnel and Payroll	Operating expense belt tightening to achieve net-zero general fund supplemental	(0.9)				(0.9)
137	8(k) - (l)	Health & Soc Svcs	Audit	Operating expense belt tightening to achieve net-zero general fund supplemental	(3.0)				(3.0)
138	8(x) - (l)	Health & Soc Svcs	Health Planning & Facilities Mgrnl.	Operating expense belt tightening to achieve net-zero general fund supplemental	(1.6)				(1.6)
139	8(m) - (n)	Health & Soc Svcs	Alaska Youth Initiative	Medicaid Private Hospital Proshare Grant Refinancing	(1,320.0)				(1,320.0)
140	8(m) - (n)	Health & Soc Svcs	Behavioral Health Medicaid Services	Cost containment savings	(357.0)				(357.0)
141	8(m) - (n)	Health & Soc Svcs	Behavioral Health Grants	Medicaid Private Hospital Proshare Grant Refinancing as well as travel and other operating expense belt tightening	(246.0)		(558.4)	Alcohol Fund	(804.4)
142	8(m) - (n)	Health & Soc Svcs	Behavioral Health Administration	Operating expense belt tightening to achieve net-zero general fund supplemental	(24.2)				(24.2)
143	8(m) - (n)	Health & Soc Svcs	Psychiatric Emergency Services	Medicaid Private Hospital Proshare Grant Refinancing of 1050.7 and belt tightening on unexpended grants of 37.3	(1,088.0)				(1,088.0)
144	8(m) - (n)	Health & Soc Svcs	Services to Seriously Mentally Ill	Medicaid Private Hospital Proshare Grant Refinancing of 3905.6 plus operating expense belt tightening of 7.5	(3,913.1)				(3,913.1)

FY2004 SL EMENTALS

	A	B	C	D	E	F	G	H	I
145	8(m) - (n)	Health & Soc Svcs	Services to Severely Emotionally Disturbed Youth	Medicaid Private Hospital Proshare Grant Refinancing of 24.7 and excess Alaska Youth Initiative grants of 450.0 due to consolidation of the Alaska Youth Initiative program with the Severely Emotionally Disturbed Youth program	(474.7)				(474.7)
146	8(m) - (n)	Health & Soc Svcs	Alaska Psychiatric Institute	Increased disproportionate share from Medicaid of 700.0 and operating expense belt tightening of 50.5	(750.5)				(750.5)
147	8(o)	Health & Soc Svcs	Infant Learning Program Grants	Operating expense belt tightening to achieve net-zero general fund supplemental	(9.3)				(9.3)
148	8(p)	Health & Soc Svcs	Advisory Board on Alcoholism & Drug Abuse	Savings from a position vacancy	(25.0)				(25.0)
149	8(p)	Health & Soc Svcs	Commission on Aging	Travel expense belt tightening to achieve net-zero general fund supplemental	(2.8)				(2.8)
150	8(p)	Health & Soc Svcs	Suicide Prevention Council	Contractual expense belt tightening to achieve net-zero general fund supplemental	(8.4)				(8.4)
151	8(q)	Health & Soc Svcs	Medicaid Services	Increased Medicaid costs covered by the Department through net-zero general fund supplemental	1,847.0				1,847.0
152	8(r)	Health & Soc Svcs	Senior/Disabilities Medicaid Services	Increased Medicaid costs covered by the department through net-zero general fund supplemental	6,372.0		558.4	Alcohol Fund	6,930.4
153	9	Law	Civil Division, Deputy Attorney General	Judgments and Claims as of February 5, 2004 - \$2,825,490.66	2,825.5				2,825.5
154	10	Law	Civil Division & Criminal Division	Technical change to sec. 60, ch. 82, SLA 03 which appropriated \$175.0 to Department of Law, Civil Division for outside counsel costs. The appropriation should have been to the Criminal Division.					0.0
155	11(a)	Military	Homeland Security and Emergency Services	Transfer of federal authorization from Army Guard to Homeland Security for increased FEMA grants	767.0	0.0			767.0
156	11(b)	Military	Army Guard Facilities Maintenance	Transfer of federal authorization from Army Guard to Homeland Security for increased FEMA grants	(767.0)				(767.0)
157	12(a)	Natural Resources	Capital	FESCO Settlement for Contaminated Site Cleanup \$118,638.12			118.6	Statutory Des Prgm Rcpts	118.6
158	12(b)	Natural Resources	Capital	BLM 2009 Accelerated Land Transfer - Year 1 of a 5-year project to significantly increase the rate of federal land transfers to individual Native Allottees, the ANCSA Corporations, and the state.		1,268.0			1,268.0
159	12(c)	Natural Resources	Capital	Denali Park Visitor Destination Access - U.S. Park Service grant for planning and design of new visitor facilities		600.0			600.0
160	12(d) - (e)	Natural Resources	Capital	Agfognak Coastal Wetlands grant for purchase of waterfall parcel within the Perenos Bay area of Afognak Island		2,000.0	650.0	Statutory Des Prgm Rcpts	2,650.0
161	12(f)	Natural Resources	Office of Alaska Coastal Zone Mgt.	Increased Department of Law costs for Coastal Zone regulations	95.0				95.0
162	13(a)	Public Safety	ABC Board	Enabling language to allow the department to pay a prior year bill using the FY 04 appropriation					0.0
163	13(b)	Public Safety	Capital	Denali commission grant to the Council on Domestic Violence and Sexual Assault for domestic violence and sexual assault shelter facility funding		4,750.0			4,750.0
164	14(a)	Revenue	Municipal Bond Bank	Increased management fees due to increased activity			150.0	Muni Bond Bank Rcpts	150.0
165	14(b)	Revenue	Alaska Permanent Fund Corp.	Language clarifying that the appropriation made by sec. 37(2), ch. 82, SLA 2003 was for inflation proofing				Perm Fund Rcpts	0.0
166	14(c)	Revenue	Alaska Permanent Fund Corp.	Balance needed to inflation proof the fund in FY 04			177,000.0	Perm Fund Earnings Reserve	177,000.0

FY2004 SU. SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
167	15	Salary Adjustments		Add Marine Engineers Beneficial Association (MEBA) and the Masters, Mates, and Pilots Unit (MMP) to the "Salary and Benefits Adjustments," section 29, in the operating bill for clarification's sake, since the bargaining units ratified their contracts after section 29 was adopted that listed the bargaining units with ratified contracts. (The amount of the contract adjustments, \$68.6 and \$60.5, respectively, is already included in Transportation's appropriation in section 1 of the operating budget.)					0.0
168	16(a)	State Debt	School Debt Reimbursement	FY 04 entitlement adjustment based on actuals, down from \$37,424.1 to \$32,052.0			(3,399.9)	Debt Fund	(3,399.9)
169	16(a)	State Debt	School Debt Reimbursement	FY 04 Cigarette Tax revenue increase adjustment from \$28,600.0 to \$30,572.2			1,972.2	School Fund	1,972.2
170	16(a)	State Debt	School Debt Reimbursement	FY 04 Debt Retirement Fund decrease from \$37,424.1 to 32,052.0 that corresponds with the increase in cigarette tax revenue.			(1,972.2)	Debt Fund	(1,972.2)
171	16(b) - (d)	State Debt	Debt	Extend lapse to June 30, 2005 for Lake and Peninsula Borough Chignik dock and Aleutians East Borough False Pass harbor in sec. 32(o), ch. 83, SLA 03, pg 71, lines 24, 25. Also reduce amounts from 130,000 and 310,000 respectively to 118,553 and 68,176 (reduction of 253,271).	(253.3)				(253.3)
172	16(e)	State Debt	Fund Transfer	Have received additional federal grant funds for deposit into the Election Fund.		100.0			100.0
173	17(a)	Transportation	Capital	Proceeds from the 2003 sale of the MV Bartlett will be spent on the new Prince William Sound marine highway maintenance facility in Cordova. This and the \$900,000 authorization requested in the FY 05 capital budget will complete the project.			389.5	Marine Highway System Fund	389.5
174	17(b)	Transportation	NR Leasing and Property Management	Funds needed due to legal challenges to recent changes in airport leasing rates in AS 17.			50.0	Receipt Supported Services	50.0
175	17(c)	Transportation	CR Hwys & Aviation	Snow hauling in Anchorage. Funds budgeted in FY 04 have been exhausted due to the heavy snowfall so far this winter. Additional costs of removing snow from Anchorage sidewalks are included in this request.	200.0				200.0
176	17(d)	Transportation	SE Hwys & Aviation	Funds needed due to legal challenges to recent changes in airport leasing rates in AS 17.			50.0	Receipt Supported Services	50.0
177	17(e)	Transportation	Marine Vessel Operations	Masters, Mates and Pilots union has ratified its contract as of January 1, 2004. In the FY 04 budget, the Legislature appropriated \$60.5 to cover a full year's monetary term cost, but six months of the appropriation is not needed.			(30.2)	Marine Highway System Fund	(30.2)
178	REGULAR SUPPLEMENTAL BILL TOTAL				820.5	39,485.6	180,188.6		220,494.7
179	REGULAR SUPPLEMENTAL BILL TOTAL				820.5	39,485.6	180,188.6		220,494.7
180	TOTAL FOR BOTH BILLS				5,374.1	132,860.6	185,476.2		323,710.9
181									
182				Ratifications:					
183	18(a)(1)	Corrections		AR50951-02, Electronic Monitoring, \$63.00	63.00				63.00
184	18(a)(2)	Env Conservation		AR49721-03, Alaska Counter Terrorism, \$0.04	0.04				0.04
185	18(a)(3)	Health & Soc Svcs		AR22520-02, Medicaid Services, \$22,069,794.69	22,069,794.69				22,069,794.69
186	18(b)	Natural Resources		AR 37313-03, Fire General Fund, \$6,233,287.40	6,233,287.40				6,233,287.40
187	19			Lapse of Appropriations					
188	20			Effective Date					

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
G4	10(a)(40)	Transportation	Capital	Coffman Cove Inner Island Ferry/Bus Terminal (ED 1-5)		1,500.0	375.0	AIDEA Dividend; ASLC Dividend	1,875.0
G5	10(a)(41)	Transportation	Capital	Mobility Coalition (ED 99)		500.0			500.0
G6	10(b)	Transportation	Capital	Fund source section for projects listed in section 10(a)					0.0
G7	11			Lapse of Appropriations					0.0
G8	12			Contingent Effect and Contingent Effective Date					0.0
G9	13			Effective Date					0.0
G70									0.0
G71				FAST TRACK BILL TOTAL	4,553.6	93,375.0	5,287.6		103,216.2
G72									
G73	REGULAR SUPPLEMENTAL								
G74	1(a) and (b)	Administration	OPA	FY 04 projected caseload and case cost growth	800.0		300.0	Statutory Des Prgm Rcpts	1,100.0
G75	1(c)	Administration	Public Defender	FY 04 projected caseload and case cost growth.	650.0				650.0
G76	2(a)	Community	Regulatory Commission of Alaska Audits & Investigations	Additional funds for expert witness costs are required for a) completion of Alaska Communications Systems cases (\$20.0), b) Enstar case participation (\$15.0), c) assistance on the telecom regulations preceeding responsive to HB 111 (\$20.0), d) participation in other cases (\$60.0).			115.0	RCA Rcpts	115.0
G77	2(b)	Community	Regulatory Commission of Alaska	Due to major developments in Cook Inlet and the Trans Alaska Pipeline System, the Regulatory Commission of Alaska's effort in regulating pipelines has significantly increased. To provide the necessary expertise two new positions, a range 21 Research Analyst IV and a range 19 Utility Financial Analyst are requested. Funds for additional office space, furniture and equipment are also requested.			114.6	RCA Rcpts	114.6
G78	2(c)	Community	Capital	Repeal of funds to Saxman for Public Safety Bldg sec. 87, ch. 1, SSSLA 2002, pg. 138, ln. 9. Actual grant amount is \$1,074,341.	(1,074.3)				(1,074.3)
G79	2(d)	Community	Power Cost Equalization	PCE Endowment fund appropriation to PCE fund to replace the general funds requested in FY 05 budget. This is the balance of the statutory 7% limit of the PCE Endowment monthly average market value available for appropriation in FY 04. An FY 05 budget amendment will also be submitted.			4,581.0	PCE Endowment Fund	4,581.0
G80	3(a)	Corrections	Inmate Health Care	The cost of drug and scientific supplies continue to rise annually and contractual costs have increased due to eight catastrophic cases, each costing in excess of \$100.0.	1,100.0				1,100.0
G81	3(b)	Corrections	Out of State Contracts	Due to increases in population and subsequent management of placement of prisoners, the out of state contracts and related travel costs are increasing from the budgeted 650 prisoners to in excess of 775 by the end of FY 04.	920.0				920.0
G82	4(a)	Education	Foundation	FY 04 foundation program entitlement adjustment based on actual student count.	(3,654.0)				(3,654.0)
G83	4(b)	Education	Pupil Transportation	Pupil transportation program adjustment based on actual student count	(788.4)				(788.4)
G84	5(a) - (d)	All	Federal and Other Program Receipts	Technical correction to the LB&A language in FY 02-04 which changes "shall be reduced" to "may be reduced".					0.0
G85	6	Fish & Game	Capital	Language change to FY 02 appropriation relating to use of the proceeds from sale of vessels to also include repair and maintenance of vessels					0.0
G86	7	Governor	Elections	Additional Election Funds for improving accessibility to voting locations.			100.0	Election Fund	100.0
G87	8(a)	Health & Soc Svcs	Pioneer Homes	Transfer within H&SS to cover projected funding shortfall as part of net-zero general fund supplemental.	711.9				711.9
G88	8(a)	Health & Soc Svcs	Pioneer Homes	Excess authority from discontinued Longevity Bonus payments relating to failed SB 117.			(775.0)	Receipt Supported Services	(775.0)
G89	8(b)	Health & Soc Svcs	Alcohol Safety Action Program	Operating expense belt tightening to achieve net-zero general fund supplemental	(42.1)				(42.1)
G90	8(b)	Health & Soc Svcs	Behavioral Health Medicaid Services	Increased federal receipts for Medicaid		6,669.0			6,669.0
G91	8(c)	Health & Soc Svcs	Community Action & Prevention Grants	Grant savings due to belt tightening	(50.2)				(50.2)

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
92	8(c)	Health & Soc Svcs	Rural Services & Suicide Prevention	Travel belt tightening and grant savings to achieve net-zero general fund supplemental	(17.8)				(17.8)
93	8(d)	Health & Soc Svcs	Children's Services Management	Operating expense belt tightening to achieve net-zero general fund supplemental	(3.5)				(3.5)
94	8(d)	Health & Soc Svcs	Children's Services Training	Operating expense belt tightening to achieve net-zero general fund supplemental	(8.5)				(8.5)
95	8(d)	Health & Soc Svcs	Front Line Social Workers	Operating expense belt tightening of 96.3 to achieve net-zero general fund supplemental and anticipated additional Social Services Block Grant funds of 150.0	(246.3)				(246.3)
96	8(d)	Health & Soc Svcs	Family Preservation	Medicaid Private Hospital Proshare Grant Refinancing of 790.8 and 11.2 in operating expense belt tightening	(810.0)				(810.0)
97	8(d)	Health & Soc Svcs	Foster Care Base Rate	Belt tightening in the travel line item	(31.4)				(31.4)
98	8(d)	Health & Soc Svcs	Subsidized Adoptions & Guardianship	Belt tightening in the travel line item	(2.5)				(2.5)
99	8(d)	Health & Soc Svcs	Residential Child Care	Medicaid Private Hospital Proshare Grant Refinancing	(214.2)				(214.2)
100	8(d)	Health & Soc Svcs	Women, Infants and Children	Belt tightening in the supplies line item	(5.3)				(5.3)
101	8(e) - (f)	Health & Soc Svcs	Medicaid Services	Increased Medicaid costs covered by the Department through net-zero general fund supplemental	2,938.7		280.5	Tobacco Ed/Ces	3,219.2
102	8(e) - (f)	Health & Soc Svcs	Catastrophic and Chronic Illness Assistance	Increased costs covered by the Department through net-zero general fund supplemental	246.7				246.7
103	8(e) - (f)	Health & Soc Svcs	Women's and Adolescents Services	Transfer of excess Receipt Supported Services authority from within the department. This is a clean up from the FY 04 reorganization of the department.			675.0	Receipt Supported Services	675.0
104	8(g)	Health & Soc Svcs	McLaughlin Youth Center	Operating expense belt tightening to achieve net-zero general fund supplemental	(109.3)				(109.3)
105	8(g)	Health & Soc Svcs	Mat-Su Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(13.0)				(13.0)
106	8(g)	Health & Soc Svcs	Kenai Peninsula Youth Facility	200.0 savings from delay in opening the facility plus 112.4 in operating expense belt tightening to achieve net-zero general fund supplemental	(312.5)				(312.5)
107	8(g)	Health & Soc Svcs	Fairbanks Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(35.4)				(35.4)
108	8(g)	Health & Soc Svcs	Bethel Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(35.7)				(35.7)
109	8(g)	Health & Soc Svcs	Nome Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(15.9)				(15.9)
110	8(g)	Health & Soc Svcs	Johnson Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(40.0)				(40.0)
111	8(g)	Health & Soc Svcs	Ketchikan Regional Youth Facility	Operating expense belt tightening to achieve net-zero general fund supplemental	(6.2)				(6.2)
112	8(g)	Health & Soc Svcs	Probation Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(110.0)				(110.0)
113	8(g)	Health & Soc Svcs	Delinquency Prevention	Operating expense belt tightening to achieve net-zero general fund supplemental	(0.4)				(0.4)
114	8(h)	Health & Soc Svcs	Child Care Benefits	Operating expense belt tightening to achieve net-zero general fund supplemental	(62.0)				(62.0)
115	8(h)	Health & Soc Svcs	General Relief Assistance	Operating expense belt tightening to achieve net-zero general fund supplemental	(1.0)				(1.0)
116	8(h)	Health & Soc Svcs	Public Assistance Administration	Operating expense belt tightening to achieve net-zero general fund supplemental	(6.1)				(6.1)
117	8(h)	Health & Soc Svcs	Public Assistance Field Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(82.9)				(82.9)

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
118	8(h)	Health & Soc Svcs	Public Assistance Data Processing	Operating expense belt tightening to achieve net-zero general fund supplemental	(41.7)				(41.7)
119	8(h)	Health & Soc Svcs	Fraud Investigation	Operating expense belt tightening to achieve net-zero general fund supplemental	(2.1)				(2.1)
120	8(h)	Health & Soc Svcs	Quality Control	Operating expense belt tightening to achieve net-zero general fund supplemental	(21.3)				(21.3)
121	8(h)	Health & Soc Svcs	Work Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(17.2)				(17.2)
122	8(i)	Health & Soc Svcs	Senior/Disabilities Medicaid Services	Increased federal receipts for Medicaid		24,098.6			24,098.6
123	8(j)	Health & Soc Svcs	Nursing	Operating expense belt tightening to achieve net-zero general fund supplemental	(188.6)				(188.6)
124	8(j)	Health & Soc Svcs	Public Health Administrative Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(4.1)				(4.1)
125	8(j)	Health & Soc Svcs	Epidemiology	Operating expense belt tightening to achieve net-zero general fund supplemental	(55.9)		(34.4)	Tobacco Ed/Ces	(90.3)
126	8(j)	Health & Soc Svcs	Bureau of Vital Statistics	Belt tightening of 3.9 plus fund change of 100.0 in anticipation of excess Receipt Supported Services revenues	(103.9)		100.0	Receipt Supported Services	(3.9)
127	8(j)	Health & Soc Svcs	Community Health/EMS Services	Medicaid Private Hospital Proshare Grant Refinancing of 1043.2 plus operating expense belt tightening of 25.7	(1,068.9)				(1,068.9)
128	8(j)	Health & Soc Svcs	Community Health Grants	Medicaid Private Hospital Proshare Grant Refinancing			(163.2)	Tobacco Ed/Ces	(163.2)
129	8(j)	Health & Soc Svcs	State Medical Examiner	Operating expense belt tightening to achieve net-zero general fund supplemental	(11.3)				(11.3)
130	8(j)	Health & Soc Svcs	Public Health Laboratories	Operating expense belt tightening to achieve net-zero general fund supplemental	(74.8)				(74.8)
131	8(j)	Health & Soc Svcs	Tobacco Prevention and Control	Operating expense belt tightening to achieve net-zero general fund supplemental			(82.9)	Tobacco Ed/Ces	(82.9)
132	8(k) - (l)	Health & Soc Svcs	Commissioner's Office	Operating expense belt tightening to achieve net-zero general fund supplemental	(2.8)				(2.8)
133	8(k) - (l)	Health & Soc Svcs	Office of Program Review	Operating expense belt tightening to achieve net-zero general fund supplemental	(0.3)				(0.3)
134	8(k) - (l)	Health & Soc Svcs	Rate Review	Operating expense belt tightening to achieve net-zero general fund supplemental	(5.6)				(5.6)
135	8(k) - (l)	Health & Soc Svcs	Administrative Support Services	Operating expense belt tightening to achieve net-zero general fund supplemental	(31.1)				(31.1)
136	8(k) - (l)	Health & Soc Svcs	Personnel and Payroll	Operating expense belt tightening to achieve net-zero general fund supplemental	(0.9)				(0.9)
137	8(k) - (l)	Health & Soc Svcs	Audit	Operating expense belt tightening to achieve net-zero general fund supplemental	(3.0)				(3.0)
138	8(k) - (l)	Health & Soc Svcs	Health Planning & Facilities Mgmt.	Operating expense belt tightening to achieve net-zero general fund supplemental	(1.6)				(1.6)
139	8(m) - (n)	Health & Soc Svcs	Alaska Youth Initiative	Medicaid Private Hospital Proshare Grant Refinancing	(1,320.0)				(1,320.0)
140	8(m) - (n)	Health & Soc Svcs	Behavioral Health Medicaid Services	Cost containment savings	(357.0)				(357.0)
141	8(m) - (n)	Health & Soc Svcs	Behavioral Health Grants	Medicaid Private Hospital Proshare Grant Refinancing as well as travel and other operating expense belt tightening	(246.0)		(558.4)	Alcohol Fund	(804.4)
142	8(m) - (n)	Health & Soc Svcs	Behavioral Health Administration	Operating expense belt tightening to achieve net-zero general fund supplemental	(24.2)				(24.2)
143	8(m) - (n)	Health & Soc Svcs	Psychiatric Emergency Services	Medicaid Private Hospital Proshare Grant Refinancing of 1050.7 and belt tightening on unexpended grants of 37.3	(1,088.0)				(1,088.0)
144	8(m) - (n)	Health & Soc Svcs	Services to Seriously Mentally Ill	Medicaid Private Hospital Proshare Grant Refinancing of 3905.6 plus operating expense belt tightening of 7.5	(3,913.1)				(3,913.1)

FY2004 SL EMENTALS

	A	B	C	D	E	F	G	H	I
145	8(m) - (n)	Health & Soc Srvcs	Services to Severely Emotionally Disturbed Youth	Medicaid Private Hospital Proshare Grant Refinancing of 24.7 and excess Alaska Youth Initiative grants of 450.0 due to consolidation of the Alaska Youth Initiative program with the Severely Emotionally Disturbed Youth program	(474.7)				(474.7)
146	8(m) - (n)	Health & Soc Srvcs	Alaska Psychiatric Institute	Increased disproportionate share from Medicaid of 700.0 and operating expense belt tightening of 50.5	(750.5)				(750.5)
147	8(o)	Health & Soc Srvcs	Infant Learning Program Grants	Operating expense belt tightening to achieve net-zero general fund supplemental	(9.3)				(9.3)
148	8(p)	Health & Soc Srvcs	Advisory Board on Alcoholism & Drug Abuse	Savings from a position vacancy	(25.0)				(25.0)
149	8(p)	Health & Soc Srvcs	Commission on Aging	Travel expense belt tightening to achieve net-zero general fund supplemental	(2.8)				(2.8)
150	8(p)	Health & Soc Srvcs	Suicide Prevention Council	Contractual expense belt tightening to achieve net-zero general fund supplemental	(8.4)				(8.4)
151	8(q)	Health & Soc Srvcs	Medicaid Services	Increased Medicaid costs covered by the Department through net-zero general fund supplemental	1,847.0				1,847.0
152	8(r)	Health & Soc Srvcs	Senior/Disabilities Medicaid Services	Increased Medicaid costs covered by the department through net-zero general fund supplemental	6,372.0		558.4	Alcohol Fund	6,930.4
153	9	Law	Civil Division, Deputy Attorney General	Judgments and Claims as of February 5, 2004 - \$2,825,490.66	2,825.5				2,825.5
154	10	Law	Civil Division & Criminal Division	Technical change to sec. 60, ch. 82, SLA 03 which appropriated \$175.0 to Department of Law, Civil Division for outside counsel costs. The appropriation should have been to the Criminal Division.					0.0
155	11(a)	Military	Homeland Security and Emergency Services	Transfer of federal authorization from Army Guard to Homeland Security for increased FEMA grants	767.0	0.0			767.0
156	11(b)	Military	Army Guard Facilities Maintenance	Transfer of federal authorization from Army Guard to Homeland Security for increased FEMA grants	(767.0)				(767.0)
157	12(a)	Natural Resources	Capital	FESCO Settlement for Contaminated Site Cleanup \$118,638.12			118.6	Statutory Des Prgm Rcpts	118.6
158	12(b)	Natural Resources	Capital	BLM 2009 Accelerated Land Transfer - Year 1 of a 5-year project to significantly increase the rate of federal land transfers to individual Native / Ilottees, the ANCSA Corporations, and the state.		1,268.0			1,268.0
159	12(c)	Natural Resources	Capital	Denali Park Visitor Destination Access - U.S. Park Service grant for planning and design of new visitor facilities		600.0			600.0
160	12(d) - (e)	Natural Resources	Capital	Aglognak Coastal Wetlands grant for purchase of waterfall parcel within the Perenosa Bay area of Afognak Island		2,000.0	650.0	Statutory Des Prgm Rcpts	2,650.0
161	12(f)	Natural Resources	Office of Alaska Coastal Zone Mgt.	Increased Department of Law costs for Coastal Zone regulations	95.0				95.0
162	13(a)	Public Safety	ABC Board	Enabling language to allow the department to pay a prior year bill using the FY 04 appropriation					0.0
163	13(b)	Public Safety	Capital	Denali commission grant to the Council on Domestic Violence and Sexual Assault for domestic violence and sexual assault shelter facility funding		4,750.0			4,750.0
164	14(a)	Revenue	Municipal Bond Bank	Increased management fees due to increased activity			150.0	Munl Bond Bank Rcpts	150.0
165	14(b)	Revenue	Alaska Permanent Fund Corp.	Language clarifying that the appropriation made by sec. 67(2), ch. 82, SLA 2003 was for inflation proofing				Perm Fund Rcpts	0.0
166	14(c)	Revenue	Alaska Permanent Fund Corp.	Balance needed to inflation proof the fund in FY 04			177,000.0	Perm Fund Earnings Reserve	177,000.0

FY2004 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I
167	15	Salary Adjustments		Add Marine Engineers Beneficial Association (MEBA) and the Masters, Mates, and Pilots Unit (MMP) to the "Salary and Benefits Adjustments," section 29, in the operating bill for clarification's sake, since the bargaining units ratified their contracts after section 29 was adopted that listed the bargaining units with ratified contracts. (The amount of the contract adjustments, \$68.6 and \$60.5, respectively, is already included in Transportation's appropriation in section 1 of the operating budget.)					0.0
168	16(a)	State Debt	School Debt Reimbursement	FY 04 entitlement adjustment based on actuals, down from \$37,424.1 to \$32,052.0			(3,399.9)	Debt Fund	(3,399.9)
169	16(a)	State Debt	School Debt Reimbursement	FY 04 Cigarette Tax revenue increase adjustment from \$28,600.0 to \$30,572.2			1,972.2	School Fund	1,972.2
170	16(a)	State Debt	School Debt Reimbursement	FY 04 Debt Retirement Fund decrease from \$37,424.1 to \$32,052.0 that corresponds with the increase in cigarette tax revenue.			(1,972.2)	Debt Fund	(1,972.2)
171	16(b) - (d)	State Debt	Debt	Extend lapse to June 30, 2005 for Lake and Peninsula Borough Chignik dock and Aleutians East Borough False Pass harbor in sec. 32(o), ch. 83, SLA 03, pg 71, lines 24, 25. Also reduce amounts from 130,000 and 310,000 respectively to 118,553 and 60,176 (reduction of 253,271).	(253.3)				(253.3)
172	16(e)	State Debt	Fund Transfer	Have received additional federal grant funds for deposit into the Election Fund.		100.0			100.0
173	17(a)	Transportation	Capital	Proceeds from the 2003 sale of the MV Barlett will be spent on the new Prince William Sound marine highway maintenance facility in Cordova. This and the \$900,000 authorization requested in the FY 05 capital budget will complete the project.			339.5	Marine Highway System Fund	389.5
174	17(b)	Transportation	NR Leasing and Property Management	Funds needed due to legal challenges to recent changes in airport leasing rates in AS 17.			50.0	Receipt Supported Services	50.0
175	17(c)	Transportation	CR Hwys & Aviation	Snow hauling in Anchorage. Funds budgeted in FY 04 have been exhausted due to the heavy snowfall so far this winter. Additional costs of removing snow from Anchorage sidewalks are included in this request.	200.0				200.0
176	17(d)	Transportation	SE Hwys & Aviation	Funds needed due to legal challenges to recent changes in airport leasing rates in AS 17.			50.0	Receipt Supported Services	50.0
177	17(e)	Transportation	Marine Vessel Operations	Masters, Mates and Pilots union has ratified its contract as of January 1, 2004. In the FY 04 budget, the Legislature appropriated \$60.5 to cover a full year's monetary term cost, but six months of the appropriation is not needed.			(30.2)	Marine Highway System Fund	(30.2)
178	REGULAR SUPPLEMENTAL BILL TOTAL				820.5	39,485.6	180,188.6		220,494.7
179	REGULAR SUPPLEMENTAL BILL TOTAL								
180	TOTAL FOR BOTH BILLS				5,374.1	132,860.6	185,476.2		323,710.9
181									
182				Ratifications:					
183	18(a)(1)	Corrections		AR50951-02, Electronic Monitoring, \$63.00	63.00				63.00
184	18(a)(2)	Env Conservation		AR49721-03, Alaska Counter Terrorism, \$0.04	0.04				0.04
185	18(a)(3)	Health & Soc Svcs		AR22: 20-02, Medicaid Services, \$22,069,794.69	22,069,794.69				22,069,794.69
186	18(b)	Natural Resources		AR 37313-03, Fire General Fund, \$6,233,287.40	6,233,287.40				6,233,287.40
187	19			Lapse of Appropriations					
188	20			Effective Date					

HB

459

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 459(STA)
(H) Publish Date: 4/5/04

Revision Date/Time (Note if correction): _____ Dept. Affected: GOV
Title An Act requiring an auditable paper trail for RDU Elections
electronic voting machines Component: Elections
Sponsor Representative Gara
Requester House State Affairs Component No. 21

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies	1.8		1.8		1.8	
Equipment	441.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	442.8	0.0	1.8	0.0	1.8	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts						
1003 GF Match						
1004 GF			1.8		1.8	
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)	442.8					
TOTAL	442.8	0.0	1.8	0.0	1.8	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

At this time, the cost per unit to implement a modification to the touch screen voting equipment that would allow for voter verifiable paper records is unknown. This technology is currently in the research and development stage within the industry. However, it is estimated that each touch screen voting system would require additional hardware i.e., unit printer and 2 rolls of thermal paper. The division estimates the printer units may range in price from \$500.00 - \$1,000.00. If only one touch screen system were used in each precinct (441 precincts) the estimated cost would be \$441.0. The thermal paper required is estimated to cost \$2.00 per roll for an additional cost of \$1.8 in supplies. The total estimated cost of implementation by January 1, 2006, is \$442.8 (HAVA funds). The division will require GF appropriations of \$1.8 in future years for supplies (thermal paper) to support the equipment that provides a voter verifiable paper record.

Prepared by: Leonard G. Jones Phone 465-3051
Division: Division of Elections Date/Time 3/5/04 2:56 PM
Approved by: Laura A. Glaiser, Director Date 3/5/2004
Agency: Office of the Lt. Governor, Division of Elections

Alaska State Legislature
House Finance Committee

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Sectional Analysis: CSHB459 (STA) Voter Verified Paper Trail

Section 1: Restates the right of the Division of Elections to use the current Accuvote Optical Scanning machines for reading paper ballots.

Sections 2 & 3: Provides that voters may, upon asking, use the new DRE electronic ballot machines, but that no more than one of these machines will be placed in most precincts; and that these machines must produce a paper ballot for a voter's review, and for recounts.

Section 4: Definitions Section.

Section 5: Federal Law has funded the state's new DRE machines for blind and otherwise disabled persons. This section provides that by 2006, or before if technologically feasible, these machines must provide a paper trail so voters can see their votes on paper, and so that there will be paper for recounts.

Section 6: Immediate Effective Date.



Alaska State Legislature

REPRESENTATIVE JOHN HARRIS

District 12 - Eielson AFB, Valdez, Delta Junction, Palmer, Glennallen, Salcha, Paxson, Sutton, Chickaloon

HB 459, Voter Verified Paper Trails for Electronic Voting Machines Sponsor Statement

In the wake of the 2000 federal election, and with the impetus of the federal Help America Vote Act, states across the nation are replacing punch card and paper ballots with computerized vote casting, tabulation and reporting. Alaska has successfully used the AcuVote system of optically scanned ballots since 1998. New direct recording equipment (DRE) machines – also known as touch-screen – are scheduled to be used for the first time in 2004.

Unfortunately, computer experts have warned of numerous problems with both DRE and optical scan machines. Hardware problems, unreliable computer code and lack of security have raised serious questions about whether votes are being accurately recorded, tallied and reported. The experiences of many localities have demonstrated these failings. In Bernalillo County, N.M. a programming error caused a computer to delete 25 percent of the ballots cast by early voters. In Maryland voters for the Republican candidate for governor watched as their vote appeared beside the Democratic candidate's name. In Fairfax County, Va. a machine was found to have subtracted one vote for every 100 cast for a school board candidate. In one Texas matchup, optical scan machines declared two low vote getters to be landslide winners.

In the Texas case, elections officials were able to correct the mistake by hand counting the optically scanned paper ballots. Many DRE machines, however, produce no such paper trail to audit. Recognizing this crucial shortcoming of DRE technology, many observers are calling for voting machines to produce paper receipts that voters can verify before leaving the polling booth and that are subsequently held in lock boxes for audit purposes. The State of California recently moved to require such a voter verified paper audit trail in all elections. Senate Bill 296 would establish the same protections in Alaska.

Citizen trust in elections is the bedrock of democracy. Only an accurate count can assure voters that elections result in a true reflection of their will. Requiring a voter verified paper trail will assure Alaskans that no matter what technology is adopted in the future, their elections will be transparent and their votes counted accurately.

Co-Chair, Joint Armed Services Committee
Co-Chair, House Finance Committee
Member, Energy Council

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Opinion

(Published: February 8, 2004)

Paper trail

Integrity of Alaskans' votes at risk

Here's a bill in the Legislature that should see speedy passage. SB 296, from Sen. Johnny Ellis, D-Anchorage, would help prevent vote fraud by requiring electronic voting machines to produce a paper record of the votes that are cast.

The state's main electronic vote counting machines, Accu-vote optical scanners, aren't a problem. They use paper ballots that are read and tabulated electronically. But the state recently bought 55 touchscreen electronic voting machines that leave no paper trail whatsoever. The paperless machines are meant to accommodate voters who are physically unable to handle or mark a paper ballot. Eventually the state plans to have at least one touchscreen voting machine in each of Alaska's 446 precincts.

That's a helpful accommodation for disabled voters. But where there is no paper trail, there is huge potential for voting fraud. According to The New York Times, "When the State of Maryland hired a computer security firm to test its new (paperless electronic voting) machines, these paid hackers had little trouble casting multiple votes and taking over the machines' vote-recording mechanisms." With no paper trail, there is no way to cross-check the vote count.

In an editorial, The Times concluded: "The Maryland study shows convincingly that more security is needed for electronic voting, starting with voter-verified paper trails." That's what Sen. Ellis aims to do with SB 296.

Alaska has a statewide primary and a statewide general election this year. Alaskans must have confidence their votes will be counted securely and accurately. The protections outlined in Sen. Ellis' bill should be put into place as soon as possible.

BOTTOM LINE: Alaska law should require electronic voting machines to produce a paper record of each vote.

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Posted on Sun, Feb. 01, 2004

ELECTRONIC VOTING'S HIDDEN PERILS

By Elise Ackerman
Mercury News

Poll workers in Alameda County noticed something strange on election night in October. As a computer counted absentee ballots in the recall race, workers were stunned to see a big surge in support for a fringe candidate named John Burton.

Concerned that their new \$12.7 million Diebold electronic voting system had developed a glitch, election officials turned to a company representative who happened to be on hand.

Lucky he was there. For an unknown reason, the computerized tally program had begun to award votes for Lt. Gov. Cruz Bustamante to Burton, a socialist from Southern California.

Similar mishaps have occurred across the country since election officials embraced electronic voting in the wake of the Florida vote-counting debacle of 2000.

When Californians go to the polls next month to choose a presidential candidate, many voters will cast a virtual ballot by pressing a computer touch screen that records their votes digitally. The only tangible proof that a citizen has voted -- and how he voted -- will be fingerprints left on the machine's screen.

Electronic voting removes the risk of election officials misinterpreting hanging chads. But it raises another electoral peril: that a digital ballot box might miscount votes without anyone noticing.

As the black box replaces the ballot box, concern is growing that local officials are becoming dependent on a handful of corporations to guarantee the integrity and accuracy of elections.

Counties, including Santa Clara County, rely on these voting-equipment companies to manage the software that runs digital voting machines and counts electronic votes -- and to fix things when they go wrong on election night. The companies, however, consider such software a trade secret, making independent confirmation of contested elections difficult, if not impossible.

To guard against error and fraud, the state requires that the companies only install approved software on electronic voting machines. But in California, one of the biggest voting-equipment companies, Diebold Election Systems, provided 17 counties with uncertified software that was used in recent elections.

Review of practices

County election officers remain responsible for overseeing electronic voting systems, but a review of past elections and current practices raises questions about how closely they're monitoring voting-equipment companies.

"My biggest concern is the lack of accountability," said David Dill, a Stanford University computer-science professor and a leading expert on electronic voting.

In November, California Secretary of State Kevin Shelley ordered that by July 2006 all touch-screen machines must print paper receipts so an election can be independently audited. To meet that mandate, the voting-equipment companies must manufacture new state-approved hardware and software.

Computer scientists acknowledge a paper trail will help ensure the accountability of electronic voting systems. However, they say such a requirement does not resolve concerns over counties' dependence on voting-equipment companies and the security of computerized voting.

Until voting machines produce paper receipts, the only way a candidate can investigate questionable election results is by examining the voting systems' software code.

But there's a catch: Election companies consider such software a trade secret not open to public scrutiny -- or subject to challenge from losing candidates, as Emil Danciu found out.

Danciu ran for city council in Boca Raton, Fla., in March 2002. A popular former mayor of the seaside town in Palm Beach County, Danciu expected to win in a landslide but lost by 16 percentage points.

After some voters complained that Sequoia's touch-screen machines appeared to have recorded ballots cast for Danciu as votes for his opponents, Danciu sued to obtain the Sequoia software code.

But Palm Beach County didn't have the code. "All of this stuff that they are asking for are all proprietary items owned by the manufacturer," a county attorney told the judge hearing the case. The attorney argued that even if the county did have the documents, it would be a felony to disclose "trade secrets."

The judge denied Danciu's request for the software code.

U.S., state inspectors

County election officers and voting-equipment company executives stress that voting machines and software are carefully examined by federal and state inspectors before receiving approval. Furthermore, they say, pre-election testing ensures ballots are counted correctly.

"There are checks and balances to ensure nothing has been compromised," said Charles, the Sequoia spokesman.

The goal of the government certification process is to make sure proprietary voting systems are accurate, reliable and secure. The certification process is crucial because it provides the only safeguard voters have that the machines are performing the way the election companies promise.

"Every single piece of hardware and software that is used in an election is certified by our office," state election official John Mott-Smith reassured the Santa Clara County Board of Supervisors last year. "Every modification to those systems has to come back for certification and testing if necessary."

Yet eight months later, a state audit revealed that voters in 17 California counties had cast ballots in recent elections on Diebold systems that were running software not approved by the state, according to a December 2003 report. The Diebold software is used to count both touch-screen electronic ballots and paper ballots read by an optical scanner. Three of the counties, including Los Angeles, the state's largest, were using Diebold software that had not been submitted for federal review.

Assurances by vendor

The audit also found that county election officials had not independently verified they were using certified software, as the law requires, but relied on assurances by Diebold it was complying with state regulations.

Even tech-savvy counties like Santa Clara can have difficulty tracking exactly what their voting-equipment company is doing for them. Computer scientists argue that a failure to keep close tabs on modifications to the machines or their software opens the door to tampering or the introduction of errors that might show up on election night.

Following November's election in Santa Clara County, Sequoia sent over a group of blue-coated technicians to make adjustments to voting machines that experienced battery problems. For three weeks, the workers, employed by a Sequoia subcontractor, took apart the machines, removing their circuit boards and making adjustments.

Nevertheless, Santa Clara County officials didn't know the name of the subcontractor and hadn't verified the identities of the workers it hired when the Mercury News made an inquiry. They also hadn't documented the changes being made to the machines.

To find out such information, "you'd have to contact Sequoia," said Assistant Registrar of Voters Elaine Larson.

In interviews with the Mercury News, registrars defended their close relationship with the companies. The world of elections administration is a small one, and the revolving door between state, federal and county elections departments and the voting-equipment companies has spun for years.

"I have a hundred percent confidence in Sequoia -- in their integrity and honesty and their ability to keep us compliant with the law of California," said Cathy Darling, assistant registrar of Shasta County.

That attitude bothers Dill, the Stanford computer scientist and electronic-voting expert. "From a computer-security perspective, handing over control of an important part of the election, I think, is not a good idea," said Dill. "I'd prefer to see that kind of control in the hands of local officials who are accountable to elected representatives."

Contact Elise Ackerman at eackerman@mercurynews.com or (408) 271-3774.

Fairfax Judge Orders Logs Of Voting Machines Inspected

By David Cho
 Washington Post Staff Writer
 Thursday, November 6, 2003; Page B01

It took more than 21 hours from the time polls closed Tuesday night for Fairfax County, the putative high-tech capital of the region, to get final election results from its new, computerized vote machines.

Widespread problems in the system, which the county paid \$3.5 million to install, also opened the door to possible election challenges by party leaders and candidates.

School Board member Rita S. Thompson (R), who lost a close race to retain her at-large seat, said yesterday that the new computers might have taken votes from her. Voters in three precincts reported that when they attempted to vote for her, the machines initially displayed an "x" next to her name but then, after a few seconds, the "x" disappeared.

In response to Thompson's complaints, county officials tested one of the machines in question yesterday and discovered that it seemed to subtract a vote for Thompson in about "one out of a hundred tries," said Margaret K. Luca, secretary of the county Board of Elections.

"It's hard not to think that I have been robbed," said Thompson, whose 77,796 recorded votes left her 1,662 shy of reelection. She is considering her next step, and said she was wary of challenging the election results: "I'm not sure the county as a whole is up for that. I'm not sure I'm up for that."

Meanwhile, attorneys for local Republicans and GOP candidate Mychele B. Brickner, who lost her bid to chair the Fairfax County Board of Supervisors, went before a circuit court judge yesterday morning, asking him to keep 10 voting machines under lock and key and not to include their tabulations in the results. The machines, from nine precincts scattered across the county, broke down about midday Tuesday and were brought to the county government center for repairs and then returned to the polls -- a violation of election law, Republicans argued.

The judge said the activity logs of all 10 machines will be inspected this week, with members of both major parties present.

"It's like Florida in many ways," said the Republicans' attorney, Christopher T. Craig, referring to that state's 2000 presidential ballot-counting controversy. "This is about ballot integrity. . . . A lot of people have been telling us they couldn't vote for someone. . . . I have been hearing that there are a lot of problems" with the county's new WINvote computer technology.

As more details emerged yesterday, county officials defended the system. Luca insisted that most of the problems had less to do with computer glitches than human error.

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"The new machines get an A-plus," she said. "It's the plan to collect the vote that gets the failing grade."

Fairfax purchased the 1,000 touch-screen vote machines this year from Advanced Voting Solutions of Frisco, Tex. The machines, which resemble laptop computers, were used countywide Tuesday for the first time, and the problems that resulted mirrored what occurred in Montgomery County last year when similar new technology was used. The equipment in Montgomery County was blamed for delayed results and confusion at the polls.

Fairfax officials had confidently promised that their machinery would work much better, citing a battery of tests conducted last week. They also predicted that the system would greatly speed the reporting of results.

Instead, it churned out one of the slowest vote counts in memory.

Much of the delay occurred at 7 p.m. when the polls closed. Most of the county's 223 precincts attempted to send in their computer tallies at once, overloading the system. Many poll officials ended up calling in their numbers, but some couldn't get through and instead drove their results to the county government center.

In at least 19 precincts, results were officially sealed in the mistaken assumption that they had been sent by computer modem, officials said yesterday. Sealed results cannot be opened unless all three election board members are present, which led to further delays.

In addition, software errors kept the results from two precincts from being posted until about 4:30 yesterday afternoon.

"Everyone seems to be aghast at how this could happen," Thompson said. "But this seems like something you could have had the foresight to see."

John Service, 50, of North Springfield said it took him four or five tries to register his vote for Thompson, and he wondered whether some voters were disenfranchised. "I am concerned about voters who might have been in a rush and didn't go back and check to make sure all the names [they intended to vote for] appeared on the final ballot," he said.

The glitches forced a handful of precincts to return to paper ballots. And even at polls where computer problems didn't arise, voter unfamiliarity with the technology created long lines.

Some voters gave up -- a thought that crossed Jeff Fisher's mind.

Fisher, 43, of Annandale said he almost walked out of his polling place when a woman in front of him spent 10 minutes getting through the ballot.

Others, though, wondered why so many people had problems with the machines. "I thought it was very easy to vote, and I'm not even that bright of a kid," Al Richards, 61, of Falls Church said.

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THE REGION

O.C. Supervisor Wants Audit of Flawed Electronic Voting

About 7,000 voters cast ballots in wrong precincts, but officials don't believe outcomes were affected.

By Stuart Pfeifer
Times Staff Writer

March 10, 2004

An Orange County supervisor on Tuesday said he wants an investigation into last week's election, marred when poll workers using new electronic voting equipment gave thousands of voters ballots from the wrong precincts.

Supervisor Bill Campbell said he would ask the county's Internal Audit Department to review the March 2 ballot irregularities and also would welcome a probe by the county Grand Jury.

A Latino-rights organization last week also requested that the Grand Jury look into the voting problems.

A Times analysis found that about 7,000 voters cast ballots in the wrong precincts last week, affecting vote counts in many state and federal races.

"Even one error is bad. Seven thousand is terrible," Campbell said.

He said he wanted the review to search for solutions, not blame.

One solution Campbell sees is reducing the number of polling places that include multiple precincts with different ballots.

The bulk of last week's problems came when poll workers searching through a list of precinct numbers gave voters access codes for the wrong precincts.

If each polling place had only one precinct, such problems should not occur, officials said.

The irregularities did not appear to be widespread enough to jeopardize the outcome of any state or federal races. Registrar of Voters Steve Rodermund said some voters were given ballots with wrong precinct numbers, but that the ballots still displayed the correct contests.

But many other voters did cast ballots in races in which they were ineligible, The Times analysis found.

Rodermund said he would move to certify the results only if he were confident the irregular votes had not swayed the outcome.

He said he would invite the Grand Jury to review the procedures and equipment his staff used in the election.

"We would like to ask them to come and look at our processes and ask them what they think," Rodermund said.

"You always want a fresh perspective to look at what we're doing."

The civil rights advocacy group Los Amigos of Orange County suggested last week that the Grand Jury investigate.

It noted that "no one will ever know to a certainty the intent of Orange County voters as they tried to express it in a mis-administered election."

Rodermund said he and his staff hoped to estimate the number of ballots cast in improper races and report March 30 to the Board of Supervisors.

Once the election is certified, Rodermund said, the county will host a barbecue at the registrar's Santa Ana offices for all poll workers from last week's election to reward them for their service and to gather comments about the electronic voting system.

"These are the people from the trenches who rarely get the recognition that they should, so we're going to give it to them," he said.

Campbell said he wanted outside agencies to look into last week's election so the county could learn from its mistakes and prevent them from reoccurring.

"We have some very good talent in the internal audit area in looking at management systems, the way we run things," Campbell said.

"There's a lot of things we'll go back and rethink, I'm sure of that."

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Action, continued from page 26:

did not count hanging chads, dimpled chads, or just clearly punched ballots: a full, statewide recount of all discarded ballots showed that Gore actually won the election in Florida.

This was just the tip of the iceberg. A lawsuit by the NAACP and hearings by the U.S. Commission on Civil Rights showed that the 2000 elections in Florida were massively rigged. "In all, some 200,000 Floridians were either not permitted to vote in the November 7 election on questionable or possibly illegal grounds or saw their ballots discarded and not counted," reports *The Nation* (4/30/01, p. 11). "In the two years before the elections, the Florida Secretary of State's office quietly ordered the removal of 94,000 voters from the registries. Supposedly these were convicted felons who may not vote in Florida," reports an article in the *Baltimore Sun*, but "the overwhelming majority were innocent of any crime." Florida election officials took nationwide lists of convicted felons and disqualified "voters whose name, birth date and gender loosely matched that of a felon anywhere in America." For example, says the article, "one Thomas Butler (of several in Florida) was tagged because a 'Thomas Butler Cooper Jr.' of Ohio was convicted of a crime." The article also points out that "Mr. Cooper's conviction date is shown on state files as 1/30/2007," seven years in the future! The majority of the voters purged were black or Hispanic, and the article demonstrates that "the legacy of slavery—commonality of black names—aided the racial bias of the 'scrub list'" ("Jim Crow revived in Cyberspace," by Martin Luther King III and Gary Palast, in *The Baltimore Sun*, 5/8/03, available on line at commondreams.org). A disproportionately large percentage of felons in Florida are black, and "blacks went at least 9 to 1 for Democrat Al Gore," says *The Nation* ("How the GOP gamed the system in Florida," by John Lantigua, 4/30/2001, p. 11).

The cumulative effect of these manipulations of voting machines, ballots, and voter registration lists was enormous. "The *Palm Beach Post* recently reported that Gore lost 6,600 votes in Palm Beach County alone because of the infamous butterfly ballot, more than ten times Bush's margin of victory. The ne-

result of all of these measures was to deny roughly 200,000 qualified Democratic voters in Florida their constitutional right to vote in an election decided by a few hundred votes" (Lantigua, *The Nation*, 4/30/2001, p. 11). This is called RIGGING AN ELECTION.

People who rig elections are attacking American democracy just like Osama bin Laden is, and they are much more of a threat than Osama bin Laden could ever hope to be. The Bush administration came to power through a rigged election in Florida. Now this same administration is requiring "election reform" that will install electronic touch-screen voting machines in every polling place across the nation. Most of these machines leave no paper trail. There are no paper ballots or paper records of votes and the computer simply tells you at the end of the election how many votes each candidate received. Disturbing questions have been raised about these voting machines, most of which are manufactured by companies controlled by strong supporters of the Bush administration. Is there a pattern here? After all, people who have obtained power through a rigged election are likely to rig another election to stay in power.

An article published by *The Washington Post* cites a warning by 900 computer scientists that "these machines are untrustworthy" and "a report by Johns Hopkins University computer scientists warning that the system's software could easily be hacked into and election results tampered with." The article reports, "In Alabama, a computer glitch caused a 7,000-vote error" and "in Georgia, where Diebold machines are used, a handful of voters found that when they pressed the screen to vote for one candidate, the machine registered a vote for the opponent." The article concludes that "more critically, computer scientists charged that the software that runs the machines is riddled with security flaws. 'Whoever certified that code as secure should be fired,' said Avi Rubin, technical director of the Information Security Institute, at Johns Hopkins and co-author of the report." ("Jolted over Electronic Voting," by Brigid Schulte, *Washington Post*, 8/11/2003, also available on line at commondreams.org)

Most troubling of all is an article by Thom Hartmann entitled "If you

want to win an election, just control the voting machines" (published on 1/31/2003 by commondreams.org and available on line at the same site). It reports that "the respected Washington, D.C., publication *The Hill* (www.rhchill.com/news/012903/hagel.aspx) has confirmed that former conservative talk-show host and now Republican U.S. Senator Chuck Hagel was the head of, and continues to own part interest in, the company that owns the company that installed, programmed, and largely ran the voting machines that were used by most of the citizens of Nebraska." The article says that "when Hagel first ran there for the U.S. Senate in 1996, his company's computer-controlled voting machines showed he'd won stunning upsets in both the primaries and the general election. *The Washington Post* (1/13/1997) said Hagel's 'Senate victory against an incumbent Democratic governor was the major Republican upset in the November election.' According to Iev Harris of www.blackboxvoting.com, Hagel won virtually every demographic group, including many largely black communities that had never before voted Republican. Hagel was the first Republican in twenty-four years to win a Senate seat in Nebraska." Hartmann says that "six years later Hagel ran again...and won in a landslide" but that "about 80 percent of those votes were counted by computer-controlled voting machines put in place by the company affiliated with Hagel. Built by that company. Programmed by that company. This is a big story, bigger than Watergate ever was," said Hagel's Democratic opponent in the 2002 Senate race, Charlie Matulka (www.lancasterecountydemocrats.org/matulka.htm).

In the same article, Thom Hartmann also reports on another election in which the new, computerized voting machines were used: "In Georgia, democratic incumbent and war-hero Max Cleland was defeated by Saxby Chambliss, who'd avoided service in Vietnam with a 'medical deferment' but ran his campaign on the theme that he was more patriotic than Cleland. While many in Georgia expected a big win by Cleland, the computerized voting machines said that Chambliss had won." Hartmann points out that "between them, Hagel and

Continued on the next page.

NEVER GET INVOLVED IN A LAND WAR IN ASIA (WILLIAM GOLDMAN)

A Call to Action by JD Ragan