

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2506 SCOMM 109: JNT. COMM. ELEC. UTILITY RESTRUCTURING, 1998

RIGHT TO CHOOSE?

Row Percents

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

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

LOWER PRICES?

Row Percents

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

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

BETTER SERVICES?

Row Percents

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

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

WANT TO BE ABLE TO SWITCH?

Row Percents

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

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

EFFECT ON LEGISLATOR

Row Percents

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

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

ALASKA STATE LEGISLATURE

Joint Committee on Electric Utility Restructuring

Senate Members:

Sentor Bert Sharp, Co-Chairman

Senator Loren Leman

Senator Robin Taylor

Senator Al Adams

Address: 119 N. Cushman, #201

Fairbanks, AK 99701-2879

Telephone: (907) 452-7885

FAX: (907) 456-4221



House Members:

Rep. Norman Rokeberg, Co-Chairman

Rep. Alan Austerman

Rep. Fred Dyson

Rep. John Davies

Address: 716 W. 4th Avenue, #640

Anchorage, AK 99501-2133

Telephone: (907) 269-0117

FAX: (907) 269-0119

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

LETTERS/COMMENTS RECEIVED AFTER SEPTEMBER MEETING

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

STATUS AND INFORMATION RE 1998 INITIATIVES AND REFERENDUMS

California – Proposition 9 information

Massachusetts – Question 4 information Note: The

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

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

POWER POOLING AND CENTRAL DISPATCH PLANNING STUDY

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

ANCHORAGE DAILY NEWS ITEMS

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

MISCELLANEOUS ARTICLES

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

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

- ☐ URGENT
- ☒ PHONED
- ☐ RETURNED YOUR CALL
- ☐ PLEASE CALL BACK
- ☐ WILL CALL AGAIN
- ☐ WAS IN
- ☐ WANTS TO SEE YOU

Nina Mann
911 Wildrose Circle
Anchorage AK 99518-2266

September 16, 1998

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

FAX: 258-2916

Dear Representative Rokenberg:

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

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

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

Respectfully,



Nina M. Mann

SEP 21 1998

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

Dear Representative Rokeberg:

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

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

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

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

Best Regards

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

SEP 17 1998

GARY AND VERA PLUMB
441 Hillcrest Street
Ketchikan, AK 99901

(907) 225-6409

September 17, 1998

SEP 21 1998

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

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

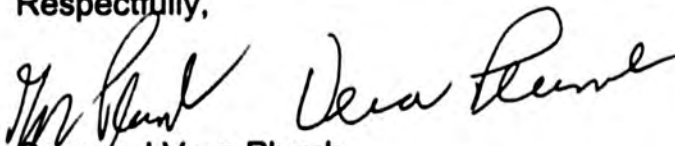
Re: Electric Deregulation

Gentlemen:

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

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

Respectfully,


Gary and Vera Plumb



September 22, 1998

SEP 24 1998

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

Dear Representative Rokeberg:

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

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

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

Best of luck to your committee in your endeavors.

Sincerely yours,



William F. Webb

UTILITIES CONSULTING SERVICES

Robert L. Huffman

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

September 23, 1998

SEP 28 1998

Dear Senator Sharp and Rep. Rokeberg;

Subject: Utility Restructuring

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

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

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

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

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

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

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

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

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

Sincerely,

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

Robert Huffman



**Matanuska Electric
Association, Inc.**

OCT 01 1998

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

September 25, 1998

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

Dear Representative Rokeberg:

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce D. Scott". The signature is fluid and cursive, with the first name "Bruce" being more prominent.

Bruce D. Scott, Director
Member and Public Relations

prw
enclosure

RECEIVED
APR 10

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

98-113-7 CU 4:12

Before Commissioners:

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

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

STATEMENT OF VIEWS OF
MATANUSKA ELECTRIC ASSOCIATION, INC.

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

Summary

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

MEA's Primary Objection

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

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

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

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

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

June 24, 1998 Transcript at 27-28.

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

Aurora has no Expertise as a Power Marketer

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

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

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

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

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

The Pilot Program will Jeopardize the Power Pooling Study.

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

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

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

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

Aurora does not Appear to have Proceeded Fairly.

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

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

A Pilot Program will Place Additional Burdens on Commission Staff.

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

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

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

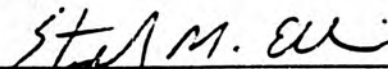
Nor is there any reason to believe Aurora can achieve the 10% savings it glibly references.⁴ As noted above, Aurora has no facilities or employees in place. It seems extremely unlikely Aurora will be able to achieve any real savings for Anchorage ratepayers when the entities with whom it proposes to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

Conclusion

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

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

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


By: Stephen M. Ellis

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A.P.U.C.

98 AUG -7 PM 4:12

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:

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

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

AFFIDAVIT OF SERVICE

STATE OF ALASKA)
) ss:
THIRD JUDICIAL DISTRICT)

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

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

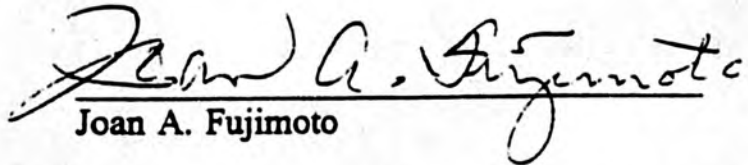
Charles (Rick) Baldwin, Esq.
Baldwin & Butler, LLC
125 N. Willow Street
Suite 100
Kenai, AK 99611

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

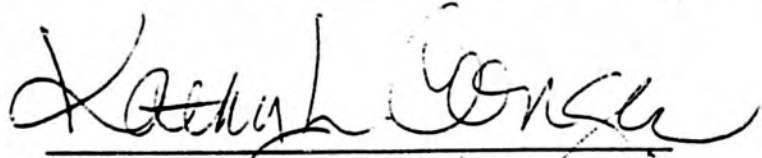
Andrew E. Hoge, Esq.
Hoge and Lekisch
441 W. 5th Avenue, Suite 500
Anchorage, AK 99501

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Municipality of Anchorage
632 W. 6th Avenue, Suite 730
Box 196650
Anchorage, AK 99519-6650

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


Joan A. Fujimoto

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


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

OCT 15 1998

Dear Rep. Rokeberg,

Oct. 14, 1998

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

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

Thanks for your time on this issue,

Bill Seitz

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

October 21, 1998

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

OCT 23 1998

RE: Electric Utility Deregulation

Dear Rep. Rokeburg,

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

Sincerely,


Lyndon C. Ibele

13200 GINNET CIRCLE
ANCHORAGE, AK 99516
345-5467

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

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

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

OCT 28 1998

Dear Sirs,

Oct. 28, '98

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

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

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

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

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

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

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

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

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

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

Sincerely,

Henry P. Lang
Henry P. Lang PE

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

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

per request

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

NOV - 6 1998

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

Dear Representative Rokeberg,

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

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

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

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

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

Sincerely,

Laura Bonner

Laura Bonner

907-344-7488



National Conference of State Legislatures

State Legislative Elections--1998

Initiatives and Referenda

California Initiatives and Referenda

Proposition 9 Electric Utilities. Assessments. Bonds.

Type: Initiative

Status: Fail

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

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

State Ballot Measures

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

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

Y - Proposition is passing

N - Proposition is not passing

County Returns for State Ballot Measures

[Alameda](#)
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[Contra Costa](#)
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[Trinity](#)
[Tulare](#)
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[Yuba](#)

California 1998 General Election

Links to Other Races

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

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[Controller](#)
[Treasurer](#)

[Attorney General](#)

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

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

California 1998 General Election

Party Abbreviations

Party Abbreviations

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

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

Official Title and Summary prepared by the Attorney General

**Full Text of
Proposed Law**

**ELECTRIC UTILITIES. ASSESSMENTS. BONDS.
INITIATIVE STATUTE.**

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

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

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

-
- **Analysis by the Legislative Analyst**
 - **Argument in Favor of Proposition 9**
 - **Rebuttal to Argument in Favor of Proposition 9**
 - **Argument Against Proposition 9**
 - **Rebuttal to Argument Against Proposition 9**
 - **Full Text of Proposition 9**
-

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

Analysis by the Legislative Analyst

Background

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

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

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

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

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

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

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

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

Proposal

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

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

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

Fiscal Effect

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

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

State and Local Tax Revenues

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

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

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

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

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

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

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

State and Local Expenditures

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

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

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

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



Electric Utilities. Assessments. Bonds. Initiative Statute.

Argument in Favor of Proposition 9

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

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

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

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

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

Prop. 9 will:

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

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

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

HARVEY ROSENFELD

Co-Chair, Californians against Utility Taxes (CUT)

NETTIE HOGE

Executive Director, The Utility Reform Network (TURN)

HARRY M. SNYDER

Senior Advocate, Consumers Union, Publisher of Consumer Reports

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



Electric Utilities. Assessments. Bonds.
Initiative Statute.

Rebuttal to Argument in Favor of Proposition 9

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

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

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

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

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

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

THE CALIFORNIA SCHOOL EMPLOYEES ASSOCIATION says kids will be hurt:

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

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

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

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

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

Join us. Vote NO on Proposition 9.

DAVID HOROWITZ

Host of "Fight Back with David Horowitz"

DON BROWN

President, California Organization of Police and Sheriffs (COPS)

MS. RUSTY HEROD

President, California School Employees Association

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

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



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

Argument against Proposition 9

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Vote No on Proposition 9.

LARRY McCARTHY
President, California Taxpayers Association

JERRY MERAL
Executive Director, Planning & Conservation League

ALLAN ZAREMBERG
President, California Chamber of Commerce

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Electric Utilities. Assessments. Bonds.
Initiative Statute.

Rebuttal to Argument against Proposition 9

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

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

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

With their record of deception, who can believe them?

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

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

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

RALPH NADER
Consumer Advocate

DAVID BROWER
Founder, Friends of the Earth

EUGENE P. COYLE, Ph.D.
Utility Economist

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

Proposition 9 | Proposition 9 | Analysis |**Electric Utilities. Assessments. Bonds.
Initiative Statute.****Proposition 9 - Full Text of the Proposed Law**

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

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

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

The People of California find and declare as follows:

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

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

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

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

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

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

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

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

SEC. 2. Purpose.

The purpose of this chapter is to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

840.1. Notwithstanding current Sections 840 to 847, inclusive:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(c)~~

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

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

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

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

~~(d)~~

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

~~(e)~~

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(f)~~

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

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

~~June 12, 1996.~~

SEC. 14. Initiative Integrity.

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

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

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

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

Proposition 9 | Proposition 9 | Analysis |



National Conference of State Legislatures

State Legislative Elections--1998

Initiatives and Referenda

Massachusetts Initiatives and Referenda

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

Type: Popular Referendum

Status: Pass

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

The Official
Massachusetts

1998

Questions



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

Offices on the 1998 Ballot

The 1998 Ballot Questions:

Question 1:
Setting Compensation
of State Legislators

Question 2:
Public Campaign Financing

Question 3:
Tax Rate on Interest
and Dividend Income

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

Contact Information for Ballot
Questions...

Checklist for Election Day



QUESTION 4: REFERENDUM ON AN EXISTING LAW

***Electric Utility Industry
Restructuring***

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

WHAT YOUR VOTE WILL DO

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

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

SUMMARY

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

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

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

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

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

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

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

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

ARGUMENTS

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

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

this law:

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

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

AGAINST: You decide!

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

If you answer no, VOTE NO.

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

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

-Barbara Anderson and Jim Braude denounced it.

This law:

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

FULL TEXT OF THIS BALLOT QUESTION

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

HOME

HELP

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3744 (Wed.)

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COLUMNS

Eileen McNamara

Brian C. Mooney

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Ballot questions prevail with solid 'yes' votes

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

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

Also approved by a sizable majority of voters were:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Utilities, businesses fighting hard against dereg repeal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Alaska Public Utilities Commission

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

Power Pooling / Central Dispatch Planning Study Final Report

October 1998

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Executive Summary

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

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

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

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

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

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

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

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

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

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

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

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

Competition may be spark electric industry needs

By MARY ANN PEASE

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

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

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

COMPASS

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

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

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

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

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

Competition not only leads companies to be more re-

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

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

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

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

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

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

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

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

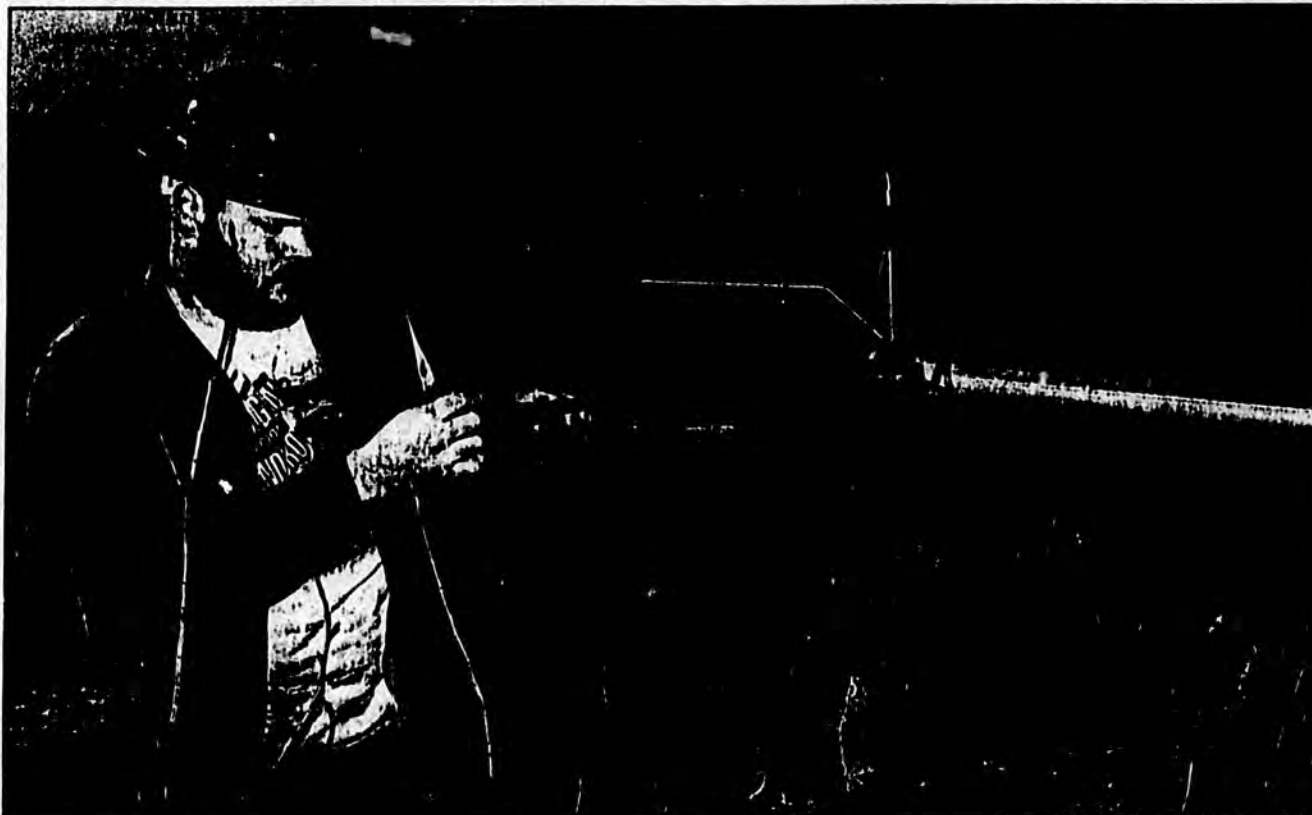
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Chugach lowers rates

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

Nose to the wind

APN
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Photos by JIM LAVRAKAS / Anchorage Daily News

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

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

Utility looks to gain hold on new energy source

By NATALIE PHILLIPS
Daily News reporter

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

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

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

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

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



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

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

year 2000."

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

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

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

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

Please see Page C-3, WIND

Lawsuit litigation changes

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

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

Educator, kids fashion catalog

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

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

WIND: Project aims to corral new energy source

Continued from Page C-1

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

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

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

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

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

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

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

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

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

There are some drawbacks to wind generators, Gilbert said.

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

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

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

Individual customers who wanted to support the alternative energy source could

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

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

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

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WEDNESDAY, October 13, 1998 ★

ANCHORAGE DAILY NEWS

SECTION F

MEA makes bid for Chugach

Electric cooperative seeks to cut rates by buying its supplier

By BEN SPIESS
Daily News reporter

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

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

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

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

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

The utilities have had an inter-

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

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

MEA directors surprised the Chugach board with their offer at

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

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

The offer took Chugach Electric by surprise.

Please see Page F-4, MEA

F-4 Tuesday, October 13, 1998

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

Continued from Page F-1

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

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

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

"We can take advantage of

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

— Bruce Scott, MEA spokesman

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

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

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

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

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

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

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

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ME A: Management key to utility deal

SEN SPIESS
News reporter

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

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

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

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

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

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

MEA officials said Tuesday that a

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ME A: Key is management

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

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

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

Chugach board members are withholding judgment on the deal.

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

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

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

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

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

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

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

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

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

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

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MEA bid holds payments

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