

HB

182

<target><bill>HB 182</bill><subject>HB
182</subject><comm>HENE26</comm></target>

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

MEMORANDUM

TO: Representative Bryce Edgmon, Co-Chair
Representative Charisse Millet, Co-Chair
House Special Committee on Energy

FROM: Joe Balash, Special Staff Assistant
Office of the Governor

DATE: March 12, 2009

SUBJECT: Scheduling of HB 182

A handwritten signature in black ink, appearing to be "JB", written over the "FROM" line of the memorandum.

I respectfully request that House Bill 182 be scheduled for a hearing in the House Special Committee on Energy. HB 182 establishes the Greater Railbelt Energy and Transmission Corporation and empowers it to plan for the financing, acquisition, construction, ownership, and operation of necessary electric power generation and transmission assets and services. The mission of the corporation is to provide the Greater Railbelt electric utilities with adequate, reliable, safe, and stable electric power and transmission services, at the lowest feasible long-term cost.

Attached you will find:

- transmittal letter signed by the Governor,
- legislation itself,
- fiscal note from AEA,
- sectional analysis,
- summaries of two AEA assets proposed to be transferred

The legislation is built on the results of the Railbelt Electrical Grid Authority (REGA) Study conducted by Black & Veatch under contract to the Alaska Energy Authority. The study results can be found on the AEA website, but we do have the primary author of the study, Kevin Harper of Black & Veatch, available to provide a summary presentation to the committee.

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OFFICE OF THE GOVERNOR
JUNEAU

March 5, 2009

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill that creates the Greater Railbelt Energy and Transmission Corporation and empowers the corporation to plan for the financing, acquisition, construction, ownership, and operation of necessary electric power generation and transmission assets and services that would be necessary to provide the Railbelt with adequate, reliable, safe, and stable electric power and transmission services, at the lowest feasible long-term cost.

The electric power generation assets in the Railbelt are aging, and low-cost Cook Inlet natural gas supplies are not expected to be plentiful in the future. New electric power generation projects with more diverse fuel sources will be needed. The creation and empowerment of a new public corporation will help coordinate the efforts of the interconnected Railbelt electric utilities.

This bill is one component of legislation to implement my statewide energy plan. This bill only initiates necessary efforts regarding the Railbelt. The bill would provide a framework for planning among the corporation, Railbelt utilities, and the state. These planning efforts are anticipated to result in further legislative proposals in 2010 for addressing the Railbelt's electric power needs.

Section I of the bill would create and empower the Greater Railbelt Energy and Transmission Corporation (corporation) within AS 42.50. Under AS 42.50.010, the corporation would be a statutory, non-profit corporation, similar in corporate form to the Commercial Fishing and Agriculture Bank. The corporation would have the primary public purpose, and corporate powers, to provide Railbelt utilities with adequate, reliable, safe, and stable electric power and transmission services, at the lowest feasible long-term cost (AS 42.50.010, 42.50.100, 42.50.110, and 42.50.160). The corporation would be governed by a board of directors composed of up to 12 persons from the Railbelt utilities, and one public member appointed by the Governor (AS 42.50.020). The Railbelt utilities would collectively retain control over their future electric power generation and transmission needs, and could exercise that control through the corporation. Members of the corporation would be the

The Honorable Mike Chenault
March 5, 2009
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ratepayers of individual Railbelt utilities, with member governance exercised, and member benefits received, solely through the member's electric utility (AS 42.50.050). The corporation would be responsible for planning for the financing, and planning for the acquisition or construction, of electric power generation and transmission assets or services necessary to serve the Railbelt (AS 42.50.120, 42.50.130, and 42.50.140). The corporation would make reports to the Governor, Legislature, members of the corporation, and the public; and would be subject to legislative audit (AS 42.50.200 and 42.50.230). Section 1 of the bill also defines certain terms (AS 42.50.900).

Sections 2 - 7 and 12 of the bill would provide for the contingent removal from participation in the corporation of any individual Railbelt electric utility that did not deliver to the Alaska Energy Authority, on or before January 19, 2010, an acceptable letter of intent under which the utility would commit to enter a phased commitment agreement among the Alaska Energy Authority, the corporation, and the utility. Sections 2 - 7 of the bill would repeal from the definition of "Greater Railbelt electric utilities" individual Railbelt electric utilities. Section 12(a) of the bill would make the individual repeals of sections effective if the individual utility does not deliver an adequate letter of intent. These sections, effectively, would enable individual Railbelt electric utilities to elect not to participate with and through the corporation. Section 12(c) of the bill would require the executive director of the Alaska Energy Authority to notify the Lieutenant Governor and revisor of statutes if any of these conditions are met. Section 12(d) of the bill defines terms used in the section.

Section 8 of the bill would establish obligations on the corporation to organize and, jointly with the Alaska Energy Authority, develop on or before January 19, 2010, a transition and finance plan to enable the corporation to become an all requirements supplier of electric power and transmission services to Railbelt electric utilities. The bill recognizes the reality that no new corporation can immediately fulfill the goals set for the corporation. Existing electric power generation and transmission assets and services owned and operated by Railbelt utilities and the state must be integrated into the corporation, together with anticipated new assets and services. Only under a phased transition can the corporation acquire necessary assets and services to enable it to become the supplier of electric power generation and transmission services to Railbelt electric utilities. Under sec. 8(a), the plan would have to include a phased commitment agreement that identifies commitments by the state, corporation, and utilities to enable the corporation to achieve its corporate purposes, and a commitment by utilities to obtain electric power and transmission services from the corporation. The plan would also have to address financing for necessary new projects, and include provisions that ensure the repayment of existing and new debt, and otherwise ensure that the creation and transition not negatively affect the ability to finance necessary Railbelt electric power generation and transmission assets and services. The plan must address the corporation's acquisition of assets. The plan must propose statutory changes to improve the ability of the corporation to achieve its purposes. Under sec. 8(b), the corporation would

The Honorable Mike Chenault

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annually report on progress towards implementing the transition and finance plan. Section 8(c) defines terms used in the section.

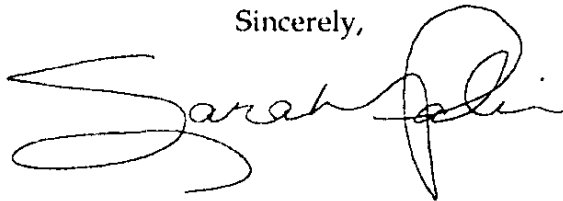
Section 9 of the bill would require the corporation to report to the Governor and Legislature with proposed statutory changes regarding the scope of regulation by the Regulatory Commission of Alaska over the corporation. Section 9(a) identifies principles that the corporation would have to include in its proposed legislation. Section 9(b) defines terms used in the section.

Section 10 of the bill would authorize the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the corporation. Section 10(a) would authorize the conveyances and would clarify that the Alaska Energy Authority may contract to allow the corporation to operate the projects, or agree to convey the projects in the future after bonds or debt are paid, refinanced, or defeased, or after approvals are obtained. Section 10(b) defines terms used in the section.

Sections 11 and 12(b) of the bill would provide for the contingent repeal of the authorization under Section 10 for the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the corporation. Section 11 would repeal section 10 of the bill. Section 12(b) would make Section 11 take effect if none of the utilities deliver to the Alaska Energy Authority, on or before July 31, 2010, an acceptable letter of intent under which the utility commits to enter a phased commitment agreement among the Alaska Energy Authority, the corporation, and the utility. Section 12(c) would require the executive director of the Alaska Energy Authority to notify the Lieutenant Governor and revisor of statutes if this condition is met. Section 12(d) defines terms used in the section.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah Palin". The signature is fluid and cursive, with a large loop at the end of the last name.

Sarah Palin
Governor

CS FOR HOUSE BILL NO. 182(ENE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Greater Railbelt Energy and Transmission Corporation and**
2 **relating to the corporation, including transition terms, financial planning, reporting**
3 **requirements, and planning for the initial business operations of the corporation;**
4 **authorizing the Alaska Energy Authority to convey the Bradley Lake Hydroelectric**
5 **Project and the Alaska Intertie to the corporation; and providing for an effective date."**

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

7 *** Section 1.** AS 24.20.271 is amended to read:

8 **Sec. 24.20.271. Powers and duties.** The legislative audit division shall

9 (1) conduct a performance post-audit of boards and commissions
10 designated in AS 44.66.010 and of those programs and activities of agencies subject to
11 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and
12 make the audit, together with a written report, available to the legislature not later than
13 the first day of the regular session of the legislature convening in each year set out

1 with reference to boards, commissions, or agency programs whose activities are
2 subject to termination as prescribed in AS 44.66; the division shall notify the
3 legislature that the audit and report are available;

4 (2) audit at least once every three years the books and accounts of all
5 custodians of public funds and all disbursing officers of the state;

6 (3) at the direction of the Legislative Budget and Audit Committee,
7 conduct performance post-audits on any agency of state government;

8 (4) cooperate with state agencies by offering advice and assistance as
9 requested in establishing or improving the accounting systems used by state agencies;

10 (5) require the assistance and cooperation of all state officials and
11 other state employees in the inspection, examination, and audit of state agency books
12 and accounts;

13 (6) have access at all times to the books, accounts, reports, or other
14 records, whether confidential or not, of every state agency;

15 (7) ascertain, as necessary for audit verification, the amount of agency
16 funds on deposit in any bank as shown on the books of the bank; no bank may be held
17 liable for making information required under this paragraph available to the legislative
18 audit division;

19 (8) complete studies and prepare reports, memoranda, or other
20 materials as directed by the Legislative Budget and Audit Committee;

21 (9) have direct access to any information related to the management of,
22 [THE UNIVERSITY OF ALASKA] and have the same right of access as exists with
23 respect to every other state agency, to each of the following:

24 (A) the University of Alaska; and

25 (B) the Greater Railbelt Energy and Transmission

26 Corporation;

27 (10) conduct an audit every two years of information found in the
28 annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance
29 by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) -
30 (e) and of the timeline extensions made by the commission under AS 42.05.175(f),
31 and of other performance measures adopted by the commission.

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

2 **Chapter 50. Greater Railbelt Energy and Transmission Corporation.**

3 **Sec. 42.50.010. Greater Railbelt Energy and Transmission Corporation.**

4 (a) The Greater Railbelt Energy and Transmission Corporation is established.

5 (b) The purpose of the corporation is to

6 (1) plan for and provide adequate, reliable, safe, and stable wholesale
7 electric power to greater Railbelt electric utilities, on a non-discriminatory basis, at the
8 lowest feasible cost;

9 (2) procure adequate fuel supply, fuel storage, and fuel resources
10 required to meet the short-term and long-term electric power needs of the greater
11 Railbelt region service territory; and

12 (3) ensure that adequate generation and transmission assets exist to
13 prudently meet the electric power needs of the electrically interconnected greater
14 Railbelt region service territory.

15 (c) The corporation shall operate on a nonprofit basis.

16 (d) The corporation is exempt from the provisions of AS 10.15 (Alaska
17 Cooperative Corporation Act), AS 10.20 (Alaska Nonprofit Corporation Act), and
18 AS 10.25 (Electric and Telephone Cooperative Act).

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

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

25 **Sec. 42.50.020. Board of directors.** (a) The corporation shall be governed by a
26 board of directors consisting of not more than 13 members, including the following:

27 (1) the chief executive officer of each greater Railbelt utility or the
28 chief executive officer's designee, and

29 (2) an individual appointed by the governing body of each utility;

30 (3) a public director appointed by the governor; the public director
31 shall have an electric power background and be familiar with the greater Railbelt

1 region service territory and public utility financing.

2 (b) The term of a director representing a utility under (a)(1) or (2) of this
3 section expires on the earlier of the date

4 (1) the individual no longer holds the position that qualified the
5 individual to be a director; or

6 (2) the utility notifies the corporation that the utility's representative on
7 the board has been replaced.

8 (c) The term of the director appointed by the governor under (a)(3) of this
9 section is four years. If a vacancy occurs, the governor shall appoint a public director
10 to serve the remaining term of the director.

11 (d) The board may remove a director for cause on two-thirds majority vote of
12 the full board. The bylaws must provide a mechanism for a utility to appoint an
13 alternate director if the chief executive officer of the utility is removed from the board.

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

16 (f) The directors shall annually elect from among the directors a chair and
17 vice-chair and other board officers as may be provided in the corporation's bylaws.

18 (g) The directors may not receive a salary, but may receive per diem and
19 travel expenses paid by the corporation not to exceed the maximum amounts allowed
20 for members of boards and commissions under AS 39.20.180.

21 **Sec. 42.50.030. Board meetings open; exceptions.** (a) A meeting of the board
22 may be attended by the public. The bylaws of the corporation must provide for public
23 participation at board meetings. Except when a voice vote is authorized, a vote shall
24 be conducted in a manner that the public may know the vote of each person entitled to
25 vote. The board may conduct a meeting by teleconference or similar communications
26 equipment if the board gives reasonable notice of the meeting and if the public is able
27 to attend the meeting and hear the meeting. This section applies only to a meeting at
28 which a quorum of the board participates.

29 (b) Before holding an executive session, the board must convene in a regular
30 or special meeting. The board may hold an executive session to discuss matters that
31 come within the exceptions contained in (c) of this section on a majority vote of the

1 board. A subject may not be considered at the executive session except those
2 mentioned in the motion calling for the executive session unless auxiliary to the main
3 question. Formal action may not be taken during the executive session of the board.

4 (c) The following excepted subjects may be discussed in an executive session:

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

7 (2) subjects that tend to prejudice the reputation and character of a
8 person; however, the person may request a public discussion;

9 (3) matters discussed with an attorney for the corporation, the
10 knowledge of which could have an adverse effect on the legal position of the
11 corporation;

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

13 (5) matters pertaining to a plan, a program, or procedures for
14 establishing, maintaining, or restoring security, or to a detailed description or
15 evaluation of systems, facilities, or infrastructure in the corporation, but only to the
16 extent that the discussion of the matter in public

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

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

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

25 (d) Notice shall be given for all regular or special meetings of the board as
26 provided in the bylaws of the corporation.

27 **Sec. 42.50.040. Officers and employees.** (a) The board shall employ a chief
28 executive officer. The chief executive officer may not be a member of the board and
29 serves at the pleasure of the board.

30 (b) The board shall appoint officers of the corporation as required by the
31 corporation's bylaws and as the board determines to be necessary for the effective

1 operations of the corporation. An executive, operating, administrative, or other
2 salaried officer of the corporation may not be a member of the board.

3 (c) The chief executive officer may hire employees of the corporation as
4 necessary for the efficient performance of the functions of the corporation. The board
5 shall approve the range of compensation for employees. Employees of the corporation
6 are not employees of the state and are not considered to be employees of a public
7 organization for the purposes of AS 39.35.

8 **Sec. 42.50.050. Bylaws.** The board may adopt bylaws for the corporation for
9 the governance and management of the affairs of the corporation, and may alter,
10 amend, or repeal them. The bylaws shall be consistent with this chapter and other laws
11 that apply to the corporation.

12 **Sec. 42.50.060. Indemnification of directors, officers, and employees.** The
13 corporation may indemnify directors, officers, and employees, or may purchase and
14 maintain insurance on behalf of directors, officers, and employees. The
15 indemnification and purchase and maintenance of insurance must comply with
16 AS 10.06.490.

17 **Sec. 42.50.070. General powers of the corporation.** The corporation may

- 18 (1) sue and be sued in its name;
19 (2) have perpetual existence;
20 (3) adopt a corporate seal and alter it;
21 (4) participate with state departments and agencies in formulating and
22 implementing electric power policy and in planning for the development, construction,
23 and operation of adequate electric power generation and transmission facilities for the
24 greater Railbelt region service territory;
25 (5) engage in programs to support the efforts of the greater Railbelt
26 electric utilities and affiliated electric utilities in order to enhance the development,
27 efficiency, reliability, safety, and price stability of electric power in the greater
28 Railbelt region service territory;
29 (6) generate, manufacture, purchase, acquire, accumulate, transmit,
30 meter, and economically dispatch electric power, and sell at wholesale, supply, and
31 dispose of electric power to greater Railbelt electric utilities and affiliated electric

1 utilities;

2 (7) procure fuel supplies, fuel storage capacity, and fuel transmission
3 resources;

4 (8) construct, buy, lease, or otherwise acquire, and equip, maintain,
5 and operate, and sell, assign, convey, lease, mortgage, pledge, or otherwise dispose of
6 or encumber land, buildings, structures, electric power lines or systems, dams, plants
7 and equipment, and any other real or personal property, tangible or intangible, that is
8 necessary, convenient, or appropriate to accomplish the purpose for which the
9 corporation is organized;

10 (9) buy, lease, or otherwise acquire, and use, and exercise and sell,
11 assign, convey, mortgage, pledge, or otherwise dispose of or encumber franchises,
12 rights, privileges, licenses, and easements;

13 (10) borrow money and otherwise contract indebtedness, issue
14 evidence of indebtedness, and secure the payment of the indebtedness by mortgage,
15 pledge, or deed of trust of, or any other encumbrance on its real or personal property,
16 assets, franchises, or revenue;

17 (11) construct, maintain, and operate electric transmission lines, along,
18 on, under, and across publicly owned land and public thoroughfares, including,
19 without limitation, all roads, highways, streets, alleys, bridges, and causeways;

20 (12) exercise the power of eminent domain under AS 42.05.631,
21 except that the corporation may not exercise the power of eminent domain to take an
22 electric power generation or transmission asset, excluding rights-of-way, from an
23 original greater Railbelt electric utility or affiliated electric utility;

24 (13) acquire by purchase, lease, bequest, devise, gift, exchange, the
25 satisfaction of debts, the foreclosure of mortgages, or otherwise, personal property,
26 rights, rights-of-way, franchises, casements, and other interests in land, and acquire by
27 appropriation water rights that are located in the state, taking title to the property in the
28 name of the corporation;

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

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

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

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

(18) enter into agreements with the state or a state agency or other instrumentality of the state;

(19) adopt, amend, and repeal bylaws;

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

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

(22) do and perform any other act and thing, and have and exercise any other power that may be necessary, convenient, or appropriate to accomplish the purpose for which the corporation is organized; and

(23) create subsidiary corporations, including subsidiary corporations organized under AS 10.20.

Sec. 42.50.080. Public utility powers and regulation. The corporation shall have all of the powers and duties of a regulated electric public utility under AS 42.05, except as follows:

(1) the corporation is not required to obtain a certificate under AS 42.05.221; and

(2) the corporation may not make retail sales of electric power.

Sec. 42.50.090. Integrated resource plan. (a) The corporation shall adopt an integrated resource plan for the corporation to use in conjunction with the long-range fuel supply plan for determining the need for, and selection of, electric generation and

1 transmission projects to ensure delivery of safe, reliable, and sustainable electric
2 power to greater Railbelt electric utilities at the lowest feasible long-term cost. The
3 corporation, in adopting and updating the plan, shall evaluate and consider
4 recommendations made in any applicable state energy plan or state integrated resource
5 plan. If the corporation's integrated resource plan deviates from other state energy or
6 resource plans, the corporation's plan must include a report explaining the reasons for
7 the deviation.

8 (b) The board shall annually review the integrated resource plan and update
9 the plan at least once every five years.

10 (c) The integrated resource plan and updates to the plans must be made
11 available on the Internet to greater Railbelt electric utilities, the governor, the
12 legislature, and the public.

13 **Sec. 42.50.100. Long-range fuel supply.** (a) The corporation must adopt a
14 long-range fuel supply plan for the corporation to use in conjunction with the
15 integrated resource plan for determining the need for and selection of fuel supplies to
16 be used by electric generation projects for delivery of safe, reliable, and sustainable
17 electric power to greater Railbelt electric utilities at the lowest feasible long-term cost.
18 In adopting and updating the long-range fuel supply plan, the corporation shall
19 evaluate recommendations made in any applicable state energy plan or state integrated
20 resource plan. If the corporation deviates from recommendations in a state plan, the
21 adopted or updated long-range fuel supply plan must include a report explaining the
22 reasons for the deviation.

23 (b) The board shall annually review, and regularly update the long-range fuel
24 supply plan at least once every five years.

25 (c) The board shall make all long-range fuel supply plans available on the
26 Internet to the greater Railbelt electrical utilities, the governor, the legislature, and the
27 public

28 **Sec. 42.50.110. Long-range capital improvement plan.** (a) The corporation
29 shall adopt a long-range capital improvement plan. The plan must describe the manner
30 in which the corporation intends to accomplish the purposes of this chapter and
31 anticipated capital improvements during each of the following 10 years. The plan shall

1 be based on the principle of providing safe, reliable, and sustainable electric power to
2 greater Railbelt electric utilities at the lowest feasible long-term cost.

3 (b) The board shall annually review, approve revisions to, and update the
4 long-range capital improvement plan on or before September 30 of each year.

5 (c) The long-range capital improvement plan and any update shall be made
6 available on the Internet to greater Railbelt electric utilities, the governor, the
7 legislature, and the public.

8 **Sec. 42.50.120. Long-range capital management plan.** (a) The corporation
9 shall adopt a long-range capital management plan. The plan must describe the manner
10 in which the corporation intends to accomplish the purposes of this chapter and the
11 corporation's plans for acquisition, accumulation, and issuance of equity and debt for
12 each of the following 10 years. The plan shall be based on the principle of providing
13 safe, reliable, and sustainable electric power to greater Railbelt electric utilities at the
14 lowest feasible long-term cost.

15 (b) The board shall annually review, approve revisions to, and update the
16 long-range capital management plan on or before September 30 of each year.

17 (c) The long-range capital management plan and any update shall be made
18 available on the Internet to the greater Railbelt electric utilities, the governor, the
19 legislature, and the public.

20 **Sec. 42.50.130. Pledge of the state.** (a) The state pledges to and agrees with
21 any lender to the corporation that the state will not limit or alter the rights and powers
22 given to the corporation by this chapter to fulfill the terms of a contract made by the
23 corporation with the lender to the corporation, or in any way impair the rights and
24 remedies of the lender to the corporation. The corporation is authorized to include this
25 pledge and agreement of the state in a contract with any lender to the corporation.

26 (b) The pledge of the state is limited to the express provisions of (a) of this
27 section and is not a guarantee, surety, promise, undertaking, or assurance of repayment
28 or performance of any obligation of the corporation.

29 **Sec. 42.50.140. Fuel supply.** The corporation may acquire long-term fuel
30 supplies as required to ensure electric power generation facilities can operate without
31 fuel-related interruption, including direct ownership of fuel supply production,

1 transportation, and storage facilities as required to meet the corporate purpose stated in
 2 AS 42.50.010(b). The corporation may acquire long-term fuel supplies under this
 3 section in conjunction with other persons acquiring long-term fuel supplies for any
 4 lawful purpose.

5 **Sec. 42.50.150. Tax exemption.** The real and personal property of the
 6 corporation and the assets, income, and receipts of the corporation are exempt from all
 7 taxes and special assessments of the state or a political subdivision of the state.

8 **Sec. 42.50.160. Reports and publications.** The board shall publish on the
 9 Internet an annual report for the greater Railbelt electric utilities. The report shall be
 10 made available to the governor, the legislature, and the public. The report must include
 11 financial statements audited by independent outside auditors, a discussion of the
 12 corporation's circumstances and operations during the period covered by the report,
 13 and any other information that the board believes would be of interest to the governor,
 14 the legislature, and the public, or that the legislature requests the board to include. The
 15 board may publish other reports considered appropriate to its purposes.

16 **Sec. 42.50.170. Right to examine books and records.** (a) Except as provided
 17 in (c) of this section, greater Railbelt electric utilities and the public may, at a
 18 reasonable time and for any proper purpose, examine and make copies of the books
 19 and records of the corporation at the principal office of the corporation.

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

22 (c) The corporation may withhold books and records concerning the following
 23 subjects:

24 (1) records required to be kept confidential by law, municipal charter,
 25 or ordinance;

26 (2) personnel records;

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

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

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

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

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

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

Sec. 42.50.180. Audits and examinations of the corporation. (a) At the direction of the Legislative Budget and Audit Committee, the legislative auditor may conduct an audit of the corporation in the manner and under the conditions established under AS 24.20.271.

(b) The legislative auditor and the auditor's employees may not disclose information acquired in the course of an audit of the corporation concerning the particulars of the business or affairs of a borrower of the corporation or another person, unless the information is required to be disclosed by law or under a court order.

(c) The corporation shall be audited annually by an independent outside auditor. The legislative auditor may confer with the outside auditor and review the work papers of the audit. The board shall engage the outside auditor, who shall be responsible to the board. The corporation shall submit copies of each report of the outside auditor to the legislative auditor within 30 days after receipt of the report by the corporation.

Sec. 42.50.190. Dissolution, merger, consolidation, and disposition of assets. Without legislative approval, the corporation may not

- (1) dissolve;
- (2) merge or consolidate; or
- (3) dispose of corporate assets other than in the ordinary course of

business.

1 **Sec. 42.50.490. Definitions.** In this chapter, unless the context otherwise
2 requires,

3 (1) "affiliated electric utilities" means an electric utility that is wholly
4 owned by one or more greater Railbelt electric utilities and by or through which one or
5 more greater Railbelt electric utilities obtain electric power or electric generation or
6 transmission services;

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

8 (3) "corporation" means the Greater Railbelt Energy and Transmission
9 Corporation;

10 (4) "electric power" means electric energy and capacity;

11 (5) "greater Railbelt electric utilities" means

12 (A) Homer Electric Association, Inc.;

13 (B) the City of Seward, Electric Utility Department;

14 (C) Chugach Electric Association, Inc.;

15 (D) the Municipality of Anchorage d/b/a Municipal Light and
16 Power Utility;

17 (E) Matanuska Electric Association, Inc.;

18 (F) Golden Valley Electric Association, Inc.; and

19 (G) an entity holding a certificate of public convenience and
20 necessity issued by the Regulatory Commission of Alaska, that succeeds to the
21 entity named in (A) - (F) of this paragraph as the result of a merger or
22 acquisition; if two or more of the entities named in (A) - (F) of this paragraph
23 merge or otherwise combine under this subparagraph, the list of entities that
24 make up the greater Railbelt electric utilities is reduced to include only the
25 succeeding entity;

26 (6) "greater Railbelt region service territory" means the combined
27 service territories identified in the certificates of public convenience and necessity
28 issued by the Regulatory Commission of Alaska for each of the greater Railbelt
29 electric utilities.

30 * **Sec. 3.** AS 24.20.271(9)(B); AS 42.50.010, 42.50.020, 42.50.030, 42.50.040, 42.50.050,
31 42.50.060, 42.50.070, 42.50.080, 42,50.090, 42.50.100, 42.50.110, 42.50.120, 42.50.130,

1 42.50.140, 42.50.150, 42.50.160, 42.50.170, 42.50.180, 42.50.190, and 42.50.490 are
2 repealed.

3 * Sec. 4. AS 42.50.490(5)(A), enacted by sec. 2 of this Act, is repealed.

4 * Sec. 5. AS 42.50.490(5)(B), enacted by sec. 2 of this Act, is repealed.

5 * Sec. 6. AS 42.50.490(5)(C), enacted by sec. 2 of this Act, is repealed.

6 * Sec. 7. AS 42.50.490(5)(D), enacted by sec. 2 of this Act, is repealed.

7 * Sec. 8. AS 42.50.490(5)(E), enacted by sec. 2 of this Act, is repealed.

8 * Sec. 9. AS 42.50.490(5)(F), enacted by sec. 2 of this Act, is repealed.

9 * Sec. 10. Sections 11 - 13 of this Act are repealed.

10 * Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 TRANSITION: TRANSITION AND FINANCE PLAN; REPORT; TERM OF
13 INITIAL PUBLIC DIRECTOR. (a) The Greater Railbelt Energy and Transmission
14 Corporation shall organize and, jointly with the Alaska Energy Authority, develop on or
15 before January 19, 2010, a transition and finance plan to enable the corporation to eventually
16 become an all-requirements supplier of electric power and transmission services to greater
17 Railbelt electric utilities. The transition and finance plan must include the following:

18 (1) a phased commitment agreement among the Alaska Energy Authority, the
19 corporation, and two or more greater Railbelt electric utilities that

20 (A) identifies commitments by the corporation, the state, and the
21 utilities, that are necessary to enable the corporation to achieve the corporate purpose
22 stated in AS 42.50.010(b); and

23 (B) includes commitments by which the utilities will, over time,
24 contract to obtain from the corporation electric power and transmission services;

25 (2) provisions to address the equity and creditworthiness of the corporation
26 and the greater Railbelt electric utilities to secure repayment of existing and new intermediate
27 and long-term financing for the construction or acquisition of electric power generation and
28 transmission assets needed in the greater Railbelt region service territory; the provisions made
29 under this paragraph must include provisions to

30 (A) repay debt associated with any electric power generation or
31 transmission asset transferred to the corporation;

1 (B) secure adequate financing for a new electric power generation or
2 transmission asset that becomes necessary before the corporation becomes fully
3 functional; and

4 (C) create a capital defeasance fund to secure repayment of new or
5 existing debt associated with electric power generation and transmission assets;

6 (3) a plan to development the business organization of the corporation;

7 (4) a plan to eventually acquire ownership of, or operational control over,
8 greater Railbelt region service territory electric power generation and transmission assets
9 necessary for the corporation to fulfill its corporate purposes;

10 (5) provisions to ensure that the transition

11 (A) does not negatively affect the ability of any greater Railbelt
12 electric utility to operate and generate sufficient revenue to meet all obligations to
13 ratepayers, creditors, and lenders; and

14 (B) includes adequate mechanisms to build sufficient equity to provide
15 for the financing of and for the construction or acquisition of generation and
16 transmission assets needed in the greater Railbelt region service territory before the
17 corporation becomes the all-requirements supplier of electric power and transmission
18 services to greater Railbelt electric utilities;

19 (6) reliability standards for electric power generation and transmission
20 services provided by the corporation based on national loss of load probability for forced
21 outage rates and outage duration for the greater Railbelt region service territory; and

22 (7) recommendations for statutory changes to improve the ability of the
23 corporation to achieve the corporate purpose stated in AS 42.50.010(b), enacted by sec. 2 of
24 this Act.

25 (b) The Greater Railbelt Energy and Transmission Corporation shall annually report
26 to the governor, the legislature, and, on the Internet, the public on progress made toward
27 implementing the transition and financing plan. The annual report must include a description
28 of

29 (1) progress made and action taken since the last annual report;

30 (2) actions taken to acquire existing electric power generation and
31 transmission assets from greater Railbelt electric utilities and affiliated electric utilities;

1 (3) action taken to plan for acquisition or construction of new electric power
2 generation and transmission assets, including project status relating to design, permitting,
3 construction, and financing;

4 (4) recommendations for financing the construction or acquisition of
5 necessary electric power generation or transmission assets, which may include the acquisition
6 of those services from independent power producers;

7 (5) action taken to develop or adopt an integrated resource plan;

8 (6) action taken to maintain reliability standards by each greater Railbelt
9 electric utility; and

10 (7) other information requested by the governor or legislature.

11 (c) Notwithstanding AS 42.50.020(c), enacted by sec. 2 of this Act, the term of the
12 initial public director appointed by the governor under AS 42.50.020(a)(3), enacted by sec. 2
13 of this Act, expires on June 30, 2012.

14 (d) In this section,

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

16 (2) "corporation" has the meaning given in AS 42.50.490, enacted by sec. 2 of
17 this Act;

18 (3) "greater Railbelt electric utilities" has the meaning given in AS 42.50.490,
19 enacted by sec. 2 of this Act;

20 (4) "Greater Railbelt Energy and Transmission Corporation" means the
21 corporation established in AS 42.50.010, enacted by sec. 2 of this Act;

22 (5) "greater Railbelt region service territory" has the meaning given in
23 AS 42.50.490, enacted by sec. 2 of this Act.

24 * Sec. 12. The uncodified law of the State of Alaska is amended by adding a new section to
25 read:

26 REPORT ON PROPOSED LEGISLATION REGARDING THE REGULATORY
27 COMMISSION OF ALASKA AND THE GREATER RAILBELT ENERGY AND
28 TRANSMISSION CORPORATION. (a) The Greater Railbelt Energy and Transmission
29 Corporation shall, on or before January 19, 2010, report to the governor and legislature on
30 proposed statutory changes regarding the scope of regulation of the corporation by the
31 Regulatory Commission of Alaska. The report must address the following:

1 (1) rates for electric power sales and transmission to enable the corporation to
2 recover its reasonable costs;

3 (2) a single, system-wide rate for electric power sales and transmission for
4 greater Railbelt electric utilities that become all-requirements purchasers of electric power and
5 transmission services from the corporation;

6 (3) system-wide rates for electric power sales and transmission and other
7 services for greater Railbelt electric utilities that become partial-requirements purchasers of
8 electric power and transmission and other services from the corporation;

9 (4) rates for electric power sales and transmission adequate to meet all
10 financial covenants contained in mortgages or other lending instruments of the corporation;

11 (5) the principles and practices regarding accounts, records, and reports
12 contained in AS 42.05.451 – 42.05.501 to ensure full disclosure of information necessary to
13 determine the revenue requirement of the corporation;

14 (6) statutory deadlines for the Regulatory Commission of Alaska to consider
15 and issue final orders on regulatory filings required from the corporation;

16 (7) the scope of Regulatory Commission of Alaska review of the capital
17 management, cash flow, and capital improvement plans of the corporation;

18 (8) a revenue requirement and rate for electric power sales and transmission to
19 be established annually by the corporation in a simplified rate making process at the end of
20 each rate year; a true-up system will credit or charge amounts to greater Railbelt electric
21 utilities; rate stabilization and renewal and replacement funds may be included in the revenue
22 requirement and rates established for electric power sales and transmission services.

23 (b) In this section, unless the context otherwise requires,

24 (1) "corporation" has the meaning given in AS 42.50.490, enacted by sec. 2 of
25 this Act;

26 (2) "greater Railbelt electric utilities" has the meaning given in AS 42.50.490,
27 enacted by sec. 2 of this Act;

28 (3) "Greater Railbelt Energy and Transmission Corporation" means the
29 corporation established in AS 42.50.010, enacted by sec. 2 of this Act;

30 (4) "Regulatory Commission of Alaska" means the commission created in
31 AS 42.04.010.

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

3 **LEGISLATIVE AUTHORIZATION TO CONVEY.** (a) Notwithstanding
4 AS 44.83.396, the Alaska Energy Authority may convey to the Greater Railbelt Energy and
5 Transmission Corporation the Bradley Lake Hydroelectric Project and the Alaska Intertie,
6 under terms and conditions acceptable to the Alaska Energy Authority, under a phased
7 commitment agreement negotiated and entered among the Alaska Energy Authority, the
8 Greater Railbelt Energy and Transmission Corporation, and two or more greater Railbelt
9 electric utilities. In the phased commitment agreement, the Alaska Energy Authority may
10 agree to convey either the Bradley Lake Hydroelectric Project or the Alaska Intertie after the
11 Alaska Energy Authority obtains necessary approvals, or after outstanding bonds or other
12 outstanding debt associated with the Bradley Lake Hydroelectric Project or with the Alaska
13 Intertie are paid, refinanced, or defeased. Nothing in this section precludes the Alaska Energy
14 Authority from contracting with the Greater Railbelt Energy and Transmission Corporation
15 for the operation or maintenance of either the Bradley Lake Hydroelectric Project or the
16 Alaska Intertie before completion of a conveyance authorized by this section.

17 (b) In this section, unless the context otherwise requires,

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

19 (2) "Alaska Intertie" means the electric power transmission intertie owned by,
20 or subject to contractual rights of, the Alaska Energy Authority, and located between the
21 Teeland substation near Knik, Alaska, and Healy, Alaska;

22 (3) "Bradley Lake Hydroelectric Project" means the hydroelectric project
23 owned by the Alaska Energy Authority, and licensed as Project Number 8221 under 16
24 U.S.C. 792 - 823c (Federal Power Act);

25 (4) "greater Railbelt electric utilities" has the meaning given in AS 42.50.490,
26 enacted by sec. 2 of this Act;

27 (5) "Greater Railbelt Energy and Transmission Corporation" means the
28 corporation established in AS 42.50.010, enacted by sec. 2 of this Act;

29 (6) "phased commitment agreement" means a phased commitment agreement
30 among the Alaska Energy Authority, the Greater Railbelt Energy and Transmission
31 Corporation, and two or more greater Railbelt electric utilities, under which greater Railbelt

1 electric utilities plan to develop a contract under sec. 11 of this Act to obtain electric power
2 and transmission services from the Greater Railbelt Energy and Transmission Corporation to
3 be developed.

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

6 CONDITIONAL EFFECT. (a) The following sections of this Act take effect only if
7 the listed utility fails to deliver to the Alaska Energy Authority, not later than July 31, 2010, a
8 letter of intent in the form and substance acceptable to the Alaska Energy Authority, under
9 which the listed utility commits to enter a phased commitment agreement among the Alaska
10 Energy Authority, the Greater Railbelt Energy and Transmission Corporation, and the listed
11 utility. The listed utilities and applicable sections of this Act are as follows:

12 (1) Homer Electric Association, Inc., sec. 4 of this Act;
13 (2) the City of Seward, Electric Utility Department, sec. 5 of this Act;
14 (3) Chugach Electric Association, Inc., sec. 6 of this Act;
15 (4) the Municipality of Anchorage d/b/a Municipal Light and Power Utility,
16 sec. 7 of this Act;

17 (5) Matanuska Electric Association, Inc., sec. 8 of this Act;

18 (6) Golden Valley Electric Association, Inc., sec. 9 of this Act.

19 (b) If fewer than two of the listed utilities in (a) of this section meet the conditions
20 described in (a) of this section, secs. 10 - 13 of this Act take effect.

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

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

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

26 (2) "greater Railbelt electric utilities" has the meaning given in AS 42.50.490,
27 enacted by sec. 2 of this Act;

28 (3) "Greater Railbelt Energy and Transmission Corporation" means the
29 corporation established in AS 42.50.010, enacted by sec. 2 of this Act;

30 (4) "phased commitment agreement" means a phased commitment agreement
31 among the Alaska Energy Authority, the Greater Railbelt Energy and Transmission

1 Corporation, and two or more greater Railbelt electric utilities, under which greater Railbelt
2 electric utilities plan to develop a contract under sec. 11 of this Act to obtain electric power
3 and transmission services from the Greater Railbelt Energy and Transmission Corporation.

4 * **Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).

26-GH1041P
Bailey
4/6/10

CS FOR HOUSE BILL NO. 182()

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

BY

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

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

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

6 *** Section 1.** AS 42 is amended by adding a new chapter to read:

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

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

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

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

(b) The purposes of the corporation are

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

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

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

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

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

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

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

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

(6) diversity in generation resources;

(7) renewable-energy-based generation resources, to the maximum extent possible when doing so is consistent with the goal of providing electric generation and transmission services at the lowest reasonable long-term cost;

(8) integration of renewable energy generation resources into areas electrically connected to the service territory of the corporation in a manner that prevents adverse effects on service quality or price.

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

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

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

10 (g) The corporation is authorized to interconnect with and provide services to
11 electric utilities other than public utility members on terms and conditions approved
12 by the Regulatory Commission of Alaska. The corporation may decline to
13 interconnect with an electric utility or any other entity that fails to meet standards for
14 interconnection adopted by the corporation and approved by the Regulatory
15 Commission of Alaska. The corporation shall apply interconnection standards
16 uniformly to public utility members, electric utilities, and other entities seeking to
17 interconnect.

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

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

24 (2) seven public directors appointed by the governor to represent
25 ratepayers and other interested groups within the service area of the corporation.

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

29 (c) The term of the director appointed by the governor under (a)(2) of this
30 section is four years, however the governor may remove a director appointed under
31 (a)(2) of this section for cause. If a vacancy occurs, the governor shall appoint a

1 director under (a)(2) of this section to serve the remaining term of the director. The
2 governor may reappoint a director described in this subsection.

3 (d) The board may only remove a director representing a public utility
4 member appointed under (a) (1) of this section for cause on two-thirds majority vote
5 of the full board. The bylaws must provide a mechanism for a public utility member to
6 appoint an alternative member if the chief executive officer of the utility is removed
7 from the board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) A state employee may not be appointed as chief executive officer of the

1 corporation or hired as an employee of the corporation within two years after the state
2 employee's termination date.

3 (e) An employee of the corporation may not be a director.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (1) the name of the corporation;

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

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

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

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

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

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

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

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alter, amend, or repeal the bylaws.

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

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

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

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

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

- (1) sue and be sued in its name;
- (2) have perpetual existence;
- (3) adopt and alter a corporate seal;
- (4) participate with federal, state, and local governmental entities in formulating and implementing policies relating to electric power, and in planning for the development, construction, and operation of adequate electric power generation and transmission facilities for the service territory of the corporation;
- (5) accept, by grant, sale, contract, operating agreement, or any other arrangement, assets from members of the corporation or other public or private entities, persons, or governments;
- (6) engage in a program to support the efforts of the public utility members and affiliated electric utilities to enhance the development, efficiency, reliability, safety, and price stability of electric power in the service territory of the corporation;

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

1 (8) generate, manufacture, purchase, acquire, accumulate, transmit,
2 meter, and dispatch retail electric power and ancillary services to an industrial
3 customer, and sell at retail, supply, and dispose of electric power to an industrial
4 customer

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

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

10 (9) procure fuel supplies, fuel storage capacity, and fuel transmission
11 resources, except that fuel supplies, fuel storage capacity, and fuel transmission
12 resources may not be procured with state funds;

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

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

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

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

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

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

31 (16) acquire by purchase, lease, bequest, devise, gift, exchange, the

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satisfaction of debts, the foreclosure of mortgages, or otherwise, personal property, rights, rights-of-way, franchises, easements, and other interests in land, and acquire by appropriation water rights that are located in the state, taking title to the property in the name of the corporation;

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

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

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

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

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

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

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

(24) develop operating standards approved by the Regulatory Commission of Alaska that are applicable to all public utilities electrically interconnected to the service territory of the corporation; and

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

(b) The corporation may not require its members to enter into power purchase agreements that restrict the ability of members to enter into bilateral power purchase

1 or wheeling agreements among themselves, except as a condition for participation in
2 specific new generation or transmission projects when the condition is reasonably
3 necessary in order for the corporation to finance the project.

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

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

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

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

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

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

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

1 explaining the reasons for the deviation.

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

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

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

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

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

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

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

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

29 **Sec. 42.50.150. Financing arrangements; state pledge.** (a) The corporation
30 may

31 (1) use any financing arrangements permitted by law in achieving the

1 purposes and objectives of the corporation;

2 (2) develop financing arrangements for individual projects;

3 (3) request that the Alaska Industrial Development and Export
4 Authority issue revenue bonds for the corporation's projects.

5 (b) The state pledges to and agrees with any lender to the corporation that the
6 state will not limit or alter the rights and powers given to the corporation by this
7 chapter that authorize the corporation to fulfill the terms of a contract between the
8 corporation and a lender, or impair the rights and remedies of the lender to the
9 corporation. The pledge

10 (1) may be included in a contract between a lender and the corporation;

11 (2) is not a guarantee, surety, promise, undertaking, or assurance of
12 repayment or performance of an obligation of the corporation.

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

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

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

25 (b) Nothing in this section exempts

26 (1) the corporation from payment of taxes, royalties, or assessments of
27 the state applicable to natural gas storage, fuel pipelines, or underground fuel or other
28 natural storage; or

29 (2) a municipal public utility from payment of an applicable municipal
30 utility service assessment.

31 **Sec. 42.50.180. Reports and publications.** The board shall publish an annual

1 report on the Internet. The report must include financial statements audited by
2 independent auditors, a discussion of the corporation's circumstances and operations
3 during the period covered by the report, and any other information requested by the
4 legislature. The board may publish other information or reports it considers
5 appropriate.

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

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

12 (c) The corporation may withhold books and records concerning the following
13 subjects:

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

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

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

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

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

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

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

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

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

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

8 (1) dissolve;
9 (2) merge or consolidate; or
10 (3) dispose of corporate assets other than in the ordinary course of
11 business.

12 **Sec. 42.50.220. Procedures for dispute resolution.** The corporation shall
13 establish a dispute resolution process in its bylaws. The dispute resolution process
14 must include, at a minimum,

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

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

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

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

26 **Sec. 42.50.900. Definitions.** In this chapter, unless the context otherwise
27 requires,

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

- 1 (2) "board" means the board of directors of the corporation;
- 2 (3) "commissioner" means the commissioner of commerce,
3 community, and economic development;
- 4 (4) "cooperative" means an entity organized under AS 10.25;
- 5 (5) "corporation" means an energy and transmission corporation
6 organized under this chapter;
- 7 (6) "electrically interconnected" means interconnected at a minimum
8 transmission level of 69 kilovolts;
- 9 (7) "electric power" means electric energy and capacity;
- 10 (8) "electric utility" means a public utility, as defined in AS 42.05.990
11 that furnishes electrical generation, transmission, or distribution service;
- 12 (9) "member" means a member of the corporation under AS 42.50.050,
13 including public utility members;
- 14 (10) "public utility member" means a municipal or cooperative electric
15 utility that has an electric distribution service territory, that holds a certificate of public
16 convenience and necessity issued by the Regulatory Commission of Alaska, that is one
17 of the electric utilities that organizes an energy and transmission corporation or that
18 becomes a public utility member of the corporation under AS 42.50.050(b), and that
19 does not withdraw from being a member or public utility member under
20 AS 42.50.050(d) or (e);
- 21 (11) "ratepayers" means the ratepayers of the public utility members of
22 the corporation;
- 23 (12) "service territory of the corporation" means the combined service
24 territories identified in the certificates of public convenience and necessity issued by
25 the Regulatory Commission of Alaska for each of the public utility members of the
26 corporation.

27 * Sec. 2. AS 44.83.396(c) is amended to read:

28 (c) The authority shall enter into a contract or lease under reasonable terms
29 and conditions to permit the applicant utility to operate the power project when the
30 applicant utility is the only wholesale power customer to be served directly by the
31 power project, or is a corporation organized under AS 42.50.010 and one or more

1 **public utility members of the corporation is a wholesale power customer to be**
2 **served directly by the power project,** unless the authority determines **the** [A] utility
3 **or corporation** making application for a contract or lease to operate a power project is
4 not a qualified utility or is not capable of operating that power project efficiently and
5 in a manner that is consistent with national standards for the industry and with
6 agreements with bondholders.

7 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

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

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

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

29 (c) This section authorizes the organization of the Greater Railbelt Energy and
30 Transmission Corporation, as required under AS 42.50.010(a), enacted by sec. 1 of this Act, if
31 the conditions in sec. 4 of this Act are met.

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

3 CONDITIONAL EFFECT. (a) Sections 1 and 2 of this Act take effect only if four or
4 more of the listed public utilities deliver to the Alaska Energy Authority before 4:30 p.m. on
5 December 31, 2010, a letter of intent in the form and substance established by regulations
6 adopted by the Alaska Energy Authority, under which the listed public utility agrees to
7 become a public utility member of the Greater Railbelt Energy and Transmission Corporation.
8 Each listed public utility that meets the conditions described in this subsection shall, effective
9 January 31, 2011, be a public utility member of the Greater Railbelt Energy and Transmission
10 Corporation. The listed public utilities are as follows:

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

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

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

- 21 (1) "Alaska Energy Authority" means the authority created in AS 44.83.020;
- 22 (2) "Greater Railbelt Energy and Transmission Corporation" means the
23 corporation organized as an energy and transmission corporation under AS 42.50, enacted by
24 sec. 1 of this Act, as authorized by sec. 3 of this Act;
- 25 (3) "public utility member" has the meaning given in AS 42.50.900, enacted
26 by sec. 1 of this Act.

27 * **Sec. 5.** If secs. 1 and 2 of this Act take effect under sec. 4(a) of this Act, they take effect
28 January 31, 2011.

29 * **Sec. 6.** Sections 3 and 4 of this Act take effect immediately under AS 01.10.070(c).

26-GH1041\S
Chenoweth/Bailey
3/24/10

CS FOR HOUSE BILL NO. 182()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (b) The purposes of the corporation are

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

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

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

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

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

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

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

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

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

(6) diversity in generation resources;

(7) renewable-energy-based generation resources;

(8) integration of renewable energy generation resources.

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

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

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

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

1 interconnection adopted by the corporation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) may not be an affiliated electric utility.

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

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

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

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

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

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

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

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

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

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

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

24 (1) the name of the corporation;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 full exercise of its powers;

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

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

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

9 (26) create subsidiary corporations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 (2) develop financing arrangements for individual projects.

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

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

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

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

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

1 appropriate.

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

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

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

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

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

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

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

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

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

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

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

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

1 of the report by the corporation.

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

4 (1) dissolve;

5 (2) merge or consolidate; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The corporation

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

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

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

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

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

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

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

(b) The rates and charges included in a schedule

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

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

(3) may provide for uniform rates and charges in order to extend the

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

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

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

9 (A) operation and maintenance costs;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26-GH1041\E
Bailey
3/18/10

CS FOR HOUSE BILL NO. 182()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

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

A BILL
FOR AN ACT ENTITLED

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

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

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

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

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

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

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

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

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

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

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

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

1 equity for future operations.

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

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

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

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

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

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

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

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

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

23 (b) The purposes of the corporation are

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

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

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

1 for, recommend, coordinate, and otherwise address

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

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

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

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

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

13 (6) diversity in generation resources;

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

15 (8) integration of renewable energy generation resources.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 circumvention of the law; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (1) the name of the corporation;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 (27) create subsidiary corporations.

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

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

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

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

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

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

27 (b) The corporation

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

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

1 facilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 (2) develop financing arrangements for individual projects.

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

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

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

1 the members.

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

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

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

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

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

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

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

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

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

29 (A) operation and maintenance costs;

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

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

1 period of years;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) dissolve;
- (2) merge or consolidate; or
- (3) dispose of corporate assets other than in the ordinary course of business.

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

- (1) a requirement that disputes be initially brought before the board for resolution;
- (2) a requirement that the parties shall attempt to resolve a dispute that is not resolved by the board through mediation;
- (3) a requirement that the corporation and the disputing party shall attempt to resolve a dispute that is not resolved by the board and is not resolved through mediation through binding arbitration if allowed by the bylaws of the corporation; and
- (4) if not resolved by the board, through mediation, or through binding arbitration, if allowed, a provision for resolution of the dispute through litigation in a court of competent jurisdiction.

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

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

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

6 (3) "cooperative" means an entity organized under AS 10.25;

7 (4) "commissioner" means the commissioner of commerce,
8 community, and economic development;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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MEMORANDUM

April 7, 2010

SUBJECT: Energy and transmission corporations; sectional summary
(CSHB 182(), Work Order No. 26-GH1041\P)

TO: Representative Charisse Millett
Attn: Jeff Turner

FROM: Dennis C. Bailey *JCS*
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1.

Sec. 42.50.010(a) authorizes the organization of an energy and transmission corporation if the organization is authorized by law; authorizes the corporation to operate power and transmission projects owned by the Alaska Energy Authority, and to plan for power generation and transmission in a specified service area.

Sec. 42.50.010(b) describes the purposes of the corporation.

Sec. 42.50.010(c) lists the topics that the corporation may plan for, recommend, coordinate, or otherwise address.

Sec. 42.50.010(d) states that the corporation shall operate on a nonprofit basis and shall provide services based on uniform rates for like services under standard tariffs or contractual arrangements.

Sec. 42.50.010(e) states that the corporation exists separate and independent from the state, is not a state agency or otherwise related to the state.

Sec. 42.50.010(f) states that the corporation operations are for a public purpose.

Sec. 42.50.010(g) states that the corporation is authorized to interconnect with electric utilities other than the public utility members of the corporation on terms approved by the Regulatory Commission of Alaska; the corporation may decline to interconnect with an entity that fails to meet standards of interconnection; the corporation will apply interconnection standards uniformly.

Sec. 42.50.020 describes the qualifications, appointment, terms, removal and compensation for corporate directors.

Sec. 42.50.030 describes board meetings, including notice of the meeting and conditions for executive sessions.

Sec. 42.50.040 provides for corporate officers and employees of the corporations.

Sec. 42.50.050(a) states that the members of the corporation are the public utility members and other entities that purchase services from the corporation that are approved by the board; the corporation may only supply services to members of the corporation.

Sec. 42.50.050(b) provides defines a public utility member.

Sec. 42.50.050(c) permits an affiliated electric utility to become a member of the corporation if approved by the board of directors.

Sec. 42.50.050(d) - (g) describes requirements relating to withdrawal from the corporation.

Sec. 42.50.060 describes the contents of the articles of incorporation of the corporation.

Sec. 42.50.070 authorizes the corporation to adopt bylaws and describes certain contents that must be in the corporation's bylaws.

Sec. 42.50.080 allows the corporation to indemnify its directors, officers, and employees.

Sec. 42.50.090(a) lists the powers of the corporation.

Sec. 42.50.090(b) prohibits the corporation from requiring its members to enter into certain power purchase agreements.

Sec. 42.50.100 authorizes the corporation to have all the powers and duties of a regulated public utility; the corporation may not make retail sales except to an industrial customer; the corporation is not required to obtain a certificate of public convenience and necessity.

Sec. 42.50.110 requires the corporation to adopt a resource plan.

Sec. 42.50.120 requires the corporation to adopt a long-range fuel plan.

Sec. 42.50.130 requires the corporation to adopt a long-range capital improvement plan.

Sec. 42.50.140 requires the corporation to adopt long-range financial management plan.

Sec. 42.50.150(a) allows the corporation to use any legal financing arrangement to achieve its purposes; the corporation may request that the Alaska Industrial Development Authority issue revenue bonds for corporation projects.

Under sec. 42.50.150(b), the state pledges that it will not limit or alter the rights and powers given to the corporation that authorize the corporation to fulfill the terms of a contract between the corporation and a lender, and will not impair the rights and remedies of the lender to the corporation, however the pledge is not a guarantee of repayment or performance of an obligation of the corporation.

Sec. 42.50.160 allows the corporation to acquire long-term fuel supplies including direct ownership of transportation and storage facilities, and may acquire long-term fuel supplies with other entities that are acquiring long-term fuel supplies.

Sec. 42.50.170 provides that the corporations real and personal property, assets, income, and receipts are exempt from taxation by the state or its political subdivisions subject to certain exceptions.

Sec. 42.50.180 requires the board to publish an annual report on the internet that includes an independently audited financial statement, a discussion of the corporation's operations other information requested by the legislature, and other information the board considers appropriate.

Sec. 42.50.190 allows the corporate records to be examined by members, ratepayers, and the public, subject to certain exceptions.

Sec. 42.50.200 requires the corporation to be audited annually and submit the report to the legislature and the governor.

Sec. 42.50.210 prohibits the corporation from dissolving, merging, consolidating, or disposing of assets other than in the ordinary course of business with out prior legislative approval.

Sec. 42.50.220 requires the corporation to adopt dispute resolution procedures in its bylaws that include specified procedures.

Sec. 42.50.900 defines terms used in chapter 42.50.

Section 2. Requires the Alaska Energy authority to enter into a contract to operate certain power projects when the applicant is the only wholesale power customer to be served by the power project, or if the applicant utility is a generation and transportation corporation and one or more members of the corporation is a wholesale power customer to be served by the power project.

Representative Charisse Millett
April 7, 2010
Page 4

Section 3. Amends the uncodified law to:

(a) authorize six designated public utilities to form the Greater Railbelt Energy and Transmission Corporation if, under bill sec. 4, four of the designated six utilities file a letter of intent with the Alaska Energy Authority agreeing to become a public utility member of the Greater Railbelt Energy and Transmission Corporation.

(b) require the Greater Railbelt Energy and Transmission Corporation, if formed, to conduct a management audit beginning on June 30, 2013, 2016, and 2020 under the direction of the Legislative Budget and Audit Committee, and deliver the results to the Legislative Budget and Audit Committee 180 days after the audit begins.

Section 4. The provisions of sec. 1, describing the creation and operation of an energy and transmission corporation, and the provisions of sec. 2, requiring the Alaska Energy authority to enter into a contract for the operation of a power project, do not become effective unless four of the designated six utilities submit a letter of intent agreeing to become a public utility member of the Greater Railbelt Energy and Transmission Corporation.

Section 5. Provides an effective date for bill secs. 1 and 2, if they take effect under bill sec. 4.

Section 6. Provides for an immediate effective date for bill secs. 3 and 4.

DCB:ljw
10-244.ljw

MEMORANDUM

April 6, 2010

SUBJECT: CS HB 182(ENE) version P

TO: Representative Charisse Millett
Co-Chair, House Special Committee on Energy

FM: Ron Miller
Consultant to House Speaker Mike Chenault & Senate President Gary Stevens

You requested a sectional summary of the latest version of CSHB 182. Please note, just as Legislative Counsel Dennis C. Bailey advised in a memorandum dated March 19, 2010 regarding CSHB 182 (Work Order No.26-GH1041\E), a sectional summary of a bill is not an authoritative interpretation of the bill—the bill itself is the best statement of its contents.

CS HB 182 provides for the organization of energy and transmission corporations by interconnected public utilities, authorizes the organization of the Greater Railbelt Energy and Transmission Corporation, and authorizes the Alaska Energy Authority ("Authority") to contract with energy and transmission corporations to operate power projects of the Authority

Section 1. This Section, effective January 31, 2011 under Section 5, is contingent on four or more interconnected utilities filing letters of intent under Section 4.

This Section amends AS 42 to add a new chapter, AS 42.50 that establishes in statute the purposes, powers and duties of an energy and transmission corporation. The new corporation may "acquire, operate or maintain" Alaska Energy Authority projects and "plan for, recommend, coordinate and otherwise address power generation and transmission for the electrically interconnected service territories" of utilities that are members of the corporation.

This Section addresses the organization of the energy and transmission corporation including:

- Purposes of the corporation;
- Composition of the board of directors;
- Conduct of board meetings;
- The corporation's officers and employees;
- Corporate membership;
- Articles of incorporation and bylaws; and
- General powers of the corporation;

Section 1 also mandates the adoption of an integrated resource plan, long-range fuel supply plan, long-range capital improvement plan and long-range financial management plan. Other provisions in this section address financing arrangements, the acquisition of fuel supplies, tax exemption, annual reports, examination of the corporation's books and records, audits, corporate dissolution and internal dispute resolution procedures.

Section 2 of the bill authorizes the Alaska Energy Authority to enter into an agreement with an energy and transmission corporation organized under the new chapter to operate a power project of the Authority if one or more of the corporation's public utility members are wholesale customers of the project. As with Section 1, this Section becomes effective January 31, 2011 under Section 5, if four or more of the six identified Railbelt electrical utilities file letters of intent under Section 4.

Section 3 authorizes four or more of the six identified Railbelt electrical utilities to form an energy and transmission corporation under the new chapter. This corporation is to be entitled the Greater Railbelt Energy and Transmission Corporation. This section also mandates that the new corporation conduct a series of three management audits over a period of seven years.

Section 4 requires four or more of the six identified Railbelt electrical utilities sign letters of intent to become members of the Greater Railbelt Energy and Transmission Corporation prior to the end of business on December 31, 2010 or Sections 1 and 2 of the bill do not take effect.

Sections 5 and 6 set the legislation's effective dates.

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MEMORANDUM

April 6, 2010

SUBJECT: Energy and transmission corporations; drafting issues
(CSHB 182(), Work Order No. 26-GH1041\P)

TO: Representative Charisse Millett
Co-Chair of the House Special Committee on Energy
Attn: Jeff Turner

FROM: Dennis C. Bailey *DCB*
Legislative Counsel

This memorandum accompanies the CS requested. Please note the following issues that have arisen during drafting.

The phrase added to AS 42.50.090(24) creates an ambiguity. Do you intend that the operating standards developed by the board and approved by the RCA be applicable to all public utilities?

In the time allotted, I am unable to provide a substantive legal review of the subsection relating to the pledge of the state.

If I may be of further assistance, please advise.

DCB:plm
10-205.plm

Enclosure

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MEMORANDUM

March 26, 2010

SUBJECT: Draft CSHB 182(), draft version "S", authorizing organization of the Greater Railbelt Energy and Transmission Corporation -- sectional analysis (Work Order No. 26-GH1041\S)

TO: Representative Charisse Millett
Co-Chair of the House Special Committee on Energy

FROM: Jack Chenoweth
Assistant Revisor

This measure is based on an administration-initiated bill proposing establishment of the Greater Railbelt Energy and Transmission Corporation ("the corporation") claiming a membership among as many as six identified public utilities.¹

*

In the draft as provided, an understanding of the effective dates for the measure's various provisions is critical. The authorization of various public utilities to form the transmission corporation (bill section 13) and the conditional effect provisions (section 14) are to take immediate effect. If, under bill section 14, the principal condition is met by the time of the established deadline, then

(1) permanent law provisions bearing on initial organization and operation of the corporation that are set out in bill sections 3, 6, and 11 would take effect August 16, 2010; and

(2) delayed amendments relating principally to deferred adjustment of the Regulatory Commission of Alaska's oversight of the corporation as set out in the remaining codified bill sections and the one repeal section would take effect August 16, 2015.

¹ The committee is encouraged to review and may rely on the transmittal letter of explanation provided and reprinted at 2009 House Journal 437 - 441 (March 12, 2009) as an authoritative comment and explanation of the bill in the form in which it was introduced.

I

If this measure is enacted into law, these provisions would be given immediate effect:

-- an authorization, spelled out in **bill section 13**, a temporary law provision, by which at least any four of the six utilities identified in subsection (a) would be authorized to incorporate the Greater Railbelt Energy and Transmission Corporation, subject to obligations periodically to complete management audits (subsection (b));

-- a time contingency spelled out in **bill section 14**, another temporary law provision: not later than close of business July 30, 2010, at least four of the identified utilities must sign a letter of intent "in the form and substance acceptable to the Alaska Energy Authority" to meet the requirements of becoming a public utility member of the authorized corporation.

II

If the contingency described in **bill section 14** is met, then these provisions take effect August 16, 2010 --

Bill section 6 is the measure's principal permanent law provision. This section proposes to add a new chapter, AS 42.50, that generally sets out in law the powers, duties, and obligations of the new corporation intended to operate as a Railbelt area energy and transmission corporation "to acquire, operate, or maintain power and transmission projects acquired or constructed as part of the former energy program for the state and owned by the Alaska Energy Authority . . . , and to plan for, recommend, coordinate, and otherwise address power generation and transmission for the electrically interconnected service territories" of the various utilities that are the corporation's members. The material set out in various sections of proposed AS 42.50, added by **bill section 6**, sets out in detail the organizational form of the corporation; provisions specific to its directors, its officers and employees, and its membership; the content of the corporation's articles of incorporation and bylaws; its general powers; and other corporate matters; authorizes development of an integrated resource plan; specifies that it will have the powers and duties of a regulated electric public utility under the Alaska Public Utilities Regulatory Act (AS 42.05); and prescribes various obligations relating to the corporation's involvement in long-range planning. There are provisions included covering tax exemption, financing arrangements, reports, examination of corporate books and records, and audits, and a separate provision covering internal resolution of disputes.²

² For the record, we're not at all sure how, under this measure, the proposed corporation may be fairly characterized, or whether it may be held accountable to outside authority. It is not a public entity: proposed AS 42.50.010(e) disclaims its status as a public corporation ("The corporation may not be considered . . . a public corporation of the state . . . or a political subdivision of the state."), even though the next subsection, AS 42.50.010(f), establishes that "[t]he exercise by the corporation of the powers granted

The administration is in better position to respond to questions concerning any or all of these topics.

Other provisions that would take effect August 16, 2010, appear in --

-- **bill section 3**, establishing a limitation on the ability of the Regulatory Commission of Alaska as it sets or reviews rates proposed by the corporation ("the commission may not disallow from a rate base or revenue requirement amounts necessary for the corporation to fund a cost reasonably anticipated to become a just and reasonable cost of producing and transmitting electric power, energy, or other services, including costs (1) for the repair, replacement, and retirement of a project owned or operated by the corporation, and (2) incurred to permit the corporation to build reasonably necessary equity for future operations"); and

-- **bill section 11**, amending a section to expand a power of the Alaska Energy Authority in order to allow the corporation and one or more of its constituent members to substitute for the authority in operating a power project held by the authority as successor to the former Energy Program for Alaska.

III

If the contingency described in **bill section 14** is met, then these provisions take effect August 16, 2015 --

-- **bill section 5** extends an exemption to the corporation from regulation under the Alaska Public Utilities Regulatory Act (AS 42.05); **bill section 1** extends the exemption to municipal regulation under AS 29.35.070(a); **bill section 4** makes a conforming amendment;

-- **bill section 2** extends to the corporation's wholesale agreement for the sale of power from a corporation-owned-or-operated project the exemption from commission oversight "until all long-term debt incurred for the project is retired";

by this chapter is considered to be for a public purpose." At the same time, while the measure directs that "[t]he corporation shall have all of the powers and duties of a regulated electric public utility," proposed AS 42.50.100(1), because of the corporation's broad exemption under the Public Utilities Regulatory Act, AS 42.05, it cannot fairly be characterized as the equivalent of a private authority otherwise subject to commission oversight. See AS 42.05.711(q), proposed to be added by bill section 5:

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

-- **bill section 7** adds an exemption for the corporation from rate approval by the Regulatory Commission of Alaska and the commission-imposed regulatory cost charge; **bill section 8** belatedly burdens the corporation with principles and requirements contained in AS 42.05.441 - 42.05.491 (property valuation; accounts, records, and reports) as if the corporation were a regulated public utility, and belatedly subjects the corporation to the jurisdiction of the commission under AS 42.05.311 (joint use and interconnection of facilities) and 42.05.321 (failure among utilities to agree to joint use or interconnection) regarding an interconnection or joint use of facilities; **bill section 9** adds additional requirements by which the corporation may enter into agreements and contracts with its member utilities to provide services and add fees and administrative expenses upon its member utilities; and **bill section 10** adds an extensive provision governing procedures and standards applicable to the determination of rates for power, energy, and services that the corporation may recover from its members and customers; and

-- **bill section 12** belatedly repeals AS 42.05.431(i), the subsection enacted by bill section 3 establishing a limitation on the ability of the Regulatory Commission of Alaska to set or review rates proposed by the corporation for the repair, replacement, and retirement of a project owned or operated by the corporation or incurred to permit the corporation to build reasonably necessary equity for future operations.

*

Bill sections 15 - 17 prescribe the measure's effective dates.

JBC:plm
10-187.plm

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MEMORANDUM

March 24, 2010

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

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

FROM: Jack Chenoweth
Assistant Revisor

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

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

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

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

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

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

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

Senator Lesil McGuire
March 24, 2010
Page 2

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

*

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

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

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

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

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

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

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

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

Questions? Please contact me.

JBC:ljw
10-213.ljw

Enclosure

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
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MEMORANDUM

March 26, 2010

SUBJECT: Drafting comments relating to draft CSHB 182(), generally applicable to organization of the Greater Railbelt Energy and Transmission Corporation (Work Order No. 26-GH1041S)

TO: Representative Charisse Millett
Co-Chair of the House Special Committee on Energy

FROM: Jack Chenoweth
Assistant Registrar

Per instruction from your office, CSHB 182() substantially replicates CSSB 143(), previously prepared and delivered to the Senate Resources Committee. The points set out below speak to the work on the Senate-requested version. There is no material difference between the Senate and House versions noted in this paragraph.

The material added, amended, and deleted in the version delivered to the Senate Resources Committee is drawn from nine pages transmitted from your office that as I understand, had been prepared by the Department of Law. After consultation with Assistant Attorney General Brian Bjorkquist, I tried to address the effective date provisions as I understand the administration would like them to operate, but I advised the Senate Resources Committee, and also want to advise you, that I can't be certain whether I'm correct. Please check these provisions -- bill sections 15 - 17 -- carefully to make sure that they will operate rationally.

To understand this measure, you should have a grasp of the interrelationship of the effective date provisions and the corresponding contingencies.

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

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

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

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

Representative Charisse Millett
March 26, 2010
Page 2

Please take the time to verify that the handling of the effective dates conforms to expectations.

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

*

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

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

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

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

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

JBC:plm
10-186.plm

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MEMORANDUM

March 18, 2010

SUBJECT: Greater Railbelt Energy and Transmission Corporation; drafting issues (CSHB 182(), Work Order No. 26-GH1041\E)

TO: Representative Charisse Millett
Co-Chair of the House Special Committee on Energy
Attn: Jeff Turner

FROM: Dennis C. Bailey
Legislative Counsel

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

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

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

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

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

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

Representative Charisse Millett
March 18, 2010
Page 2

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

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

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

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

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

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

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

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

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

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

Representative Charisse Millett
March 18, 2010
Page 3

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

DCB:ljw:plm
10-175.ljw

Enclosure

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MEMORANDUM

April 6, 2009

SUBJECT: Draft CSHB 182(ENE), relating to Railbelt Energy corporation:
drafting considerations in CSHB 182(ENE)
(Work Order No. 26-GH1041\R)

TO: Representative Bryce Edgmon
Co-Chair of the House Special Energy Committee
Attn: Adam Berg

FROM: Dennis C. Bailey, *DB*
Legislative Counsel

This memorandum accompanies the draft bill requested. Please note the following:

This draft suffers from insufficient time in which to complete an objective and thorough review.

The proposed bill disclaims the application of the Alaska Nonprofit Act (AS 10.20) under proposed sec. 42.50.010(d), asserts that the corporation will act as a nonprofit under proposed sec 42.50.010(c), and allows subsidiary corporations to be nonprofits under AS 10.20 at proposed sec. 42.50.070(23). Do you want to specify or disclaim what business organization might apply?

Proposed sec. 42.50.020 provides that the corporation has a separate and independent existence from the state and may not be considered the state, a state agency, an administrative unit of the executive branch of state government, a public corporation of the state, a municipal corporation or a political subdivision of the state. I am uncertain how this broad disclaimer would be interpreted or how it may be applied.

Sec. 42.50.030 of the bill omits the second sentence in subsection (c) because it conflicts with the insertion in the amendment.

Adding the phrase to 42.50.020(f) stating that the election is "by ballot" is unnecessary.

In proposed sec. 42.50.030(a), the proposed amendment speaks to "public participation" not "public attendance" which is referred to in the first sentence. Is a difference intended? Also, is the phrase "Except when a voice vote is allowed" necessary? Do you intend that the board must "participate" or be "present"? Since the board may only act when a quorum is present, the last sentence may not be necessary.

Representative Bryce Edgmon

April 6, 2009

Page 2

Proposed sec. 42.50.050. Do you intend that adoption of bylaws be permissive rather than mandatory? The second section refers to "other laws that apply to the corporation." It is preferable to refer to actual laws that apply to the corporation rather than a general reference. Other laws that apply would apply -- without saying so.

Proposed AS 42.50.130 asserts that the state pledges to and agrees with any lender to the corporation that the state (1) will not limit or alter the rights and powers given to the corporation to fulfill the terms of a corporation contract, and (2) will not impair the rights and remedies of a lender to the corporation. I am uncertain what issues this provision may raise and have not researched the issue in the time allotted.

Proposed sec. 42.50.150 asserts a tax exemption. I have not researched how this section might be applied, what restrictions may exist concerning the tax exemption, how it may be affected by, or affect other sections of the Alaska Statutes, and whether cross references may be required.

Proposed sec. 42.50.180 allows the Legislative Budget and Audit Committee to perform audits under AS 24.20.271. The subsection then seems to qualify or modify the authority of the legislative auditor by specifying some of the powers of the auditor. AS 24.20.271 already grants the auditor access to documents so restating that authority seems unnecessary. The enforcement authority in the subsection says that the auditor may obtain a court order if documents are not produced. That authority is repetitive of the authority of the LB&A Committee under AS 24.20.201 which grants the committee subpoena power, and the authority to compel production of witnesses and documents. To avoid an ambiguity, I suggest either relying entirely on the auditor's authority in AS 24.20.271 to conduct an audit, or to make clear whether the bill is intended to modify the auditor's authority. The draft uses the former, by removing sentences describing the auditor's authority.

Proposed sec. 42.50.180(a) incorporates the audit methods of AS 24.20.271. AS 24.20.271(2) requires an audit of all custodians of state funds every three years. Proposed sec. 42.50.180(a) requires the audit at the direction of LB&A. These terms seem to conflict. If you mean for the audit to be discretionary, and only at the direction of LB&A, you might consider using AS 24.20.281 which allows for special audits.

Proposed sec. 42.50.180(b) prohibits disclosure of information acquired by the auditor concerning the affairs of a borrower of the corporation or another person. This broad prohibition prohibits any disclosure to anyone. The prohibition conflicts with the AS 24.20.311 which requires audit reports to be filed with the governor, the agency and the legislature.

Proposed sec. 42.50.490(6) refers to the combined territory of each of the utilities. The draft changed "each" to "all," I believe the combined territory of "all" is intended.

Representative Bryce Edgmon
April 6, 2009
Page 3

Bill sec. 12 authorizes the Alaska Energy Authority to transfer the Alaska Intertie and the Bradley Lake Hydroelectric Project to the corporation. In the time allotted I have not researched what issues this authorization may raise.

If I may be of further assistance, please advise.

DCB:plm
09-253.plm

Enclosure

Alaska Legislature

House Special Committee on Energy



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Summary of Changes for CS HB 182 (ENE) version P

The legislation was based on CS SB 143 (RES). The following changes made for the house version.

Page 1:

Deleted legislative intent section in CS SB 143 (RES). That deletion makes RCA oversight permanent

Page 2, Line 26:

After "resources" inserted "to the maximum extent possible when doing so is consistent with the goal of providing electric generation and transmission services at the lowest reasonable long term cost"

Page 2, Line 29:

After "resources" inserted "into areas electrically connected to the service territory of the corporation in a manner that prevents adverse impacts on service or price"

Page 3, Line 12:

Deleted "corporation's board of directors"
After "by the" inserted "Regulatory Commission of Alaska"

Page 3, Line 14:

After "corporation" inserted "and approved by the Regulatory Commission of Alaska. The corporation shall apply interconnection standards uniformly to public members, electric utilities and other entities seeking to interconnect."

Page 3, Line 24:

Deleted "one" and inserted "seven"
After "governor" inserted "to represent ratepayers and other interest groups within the service territory of the corporation"

Deleted the following text:

"from a list of at least three persons submitted by the directors appointed under (a)(1) of this section; if the governor rejects an entire list, the directors appointed under (a)(1) of this section shall submit a new list that includes at least three persons who were not included on a previously rejected list."

Page 3, Line 30:

After "four years" inserted "however, the governor may remove a director appointed under (a) (2) of this section for cause"

Page 4, Line 3:

After "director" inserted "representing a public utility member under (a)(1) of this section"

Page 5, Line 31 continuing through Page 6, Line 2:

Added "(d) a state employee may not be appointed as chief executive officer of the corporation or hired as an employee of the corporation within two years after the state employees termination date"

Page 9, Line 11:

After "resources" inserted "except that fuel supplies, fuel storage capacity, and fuel transmission resources may not be procured with state funds;

Page 10, Line 24:

After "standards" insert "approved by the Regulatory Commission of Alaska that are"
Deleted "create subsidiary corporations"

Page 11, Line 23:

After "legislature," deleted "and"
After "ratepayers" inserted "and the public"

Page 12, Line 5:

After "legislature," deleted "and"
After "ratepayers," inserted "and the public"

Page 12, Line 15:

After "legislature," deleted "and"
After "ratepayers" inserted "and the public"

Page 12, Line 27:

After "legislature" deleted "and"
After "ratepayers," inserted "and the public"

Page 13, Line 3:

Inserted "(3) request that the Alaska Industrial Development and Export Authority issue revenue bonds for the corporation's projects"

Deleted the following text:

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

Page 13, Line 5-12:

Included a new subsection

“(b) The state pledges to and agrees with any lender to the corporation that the state will not limit or alter the rights and powers given to the corporation by this chapter that authorize the corporation to fulfill the terms of a contract between the corporation and a lender, or impair the rights and remedies of the lender to the corporation. The pledge

(1) may be included in a contract between a lender and a corporation;

(2) is not a guarantee, surety, promise, undertaking, or assurance of repayment or performance of an obligation of the corporation

Page 13, Line 25:

Added “(b) Nothing in this section exempts

(1) the corporation from payment of taxes, royalties, or assessments of the state applicable to natural gas storage, fuel pipelines, or underground fuel or other natural storage; or

(2) a municipal public utility from payment of an applicable municipal utility service assessment.”

Page 14, Line 7:

After “members” deleted “and”

After “ratepayers” inserted “and the public”

Page 18, Line 5:

Deleted “July 30” inserted “December 31”

After “substance” deleted “acceptable to” and inserted “established by regulations adopted by the Alaska Energy Authority”

Page 18, Line 8:

After “effective” deleted “August 16, 2010” and replaced it with “January 31, 2011”

Page 18, Line 27:

After “effect” deleted “August 16, 2010” and replaced it with “January 31, 2011”

Page 18, Line 29:

After “Sections” deleted “1” and replaced it with “3”

After “and” deleted “5”

Prepared by Jeff Turner, Staff for Rep. Charisse Millett on 4/6/10

ADOPTED

AMENDMENT #1

OFFERED IN HOUSE ENERGY

BY: REPRESENTATIVE EDGMON

TO: HB 182 (Work Draft 26-GH1041\P)

Page 4, Line 12 following "Directors"

Insert "shall receive no"

Delete "'may not receive a"

ADOPTED

AMENDMENT #2

OFFERED IN HOUSE ENERGY

BY: REPRESENTATIVE EDGMON

TO: HB 182 (Work Draft 26-GH1041\P)

Page 4, Line 12

Insert "reasonable" after "directors a"

WITDRAWN

AMENDMENT # 3

OFFERED IN THE HOUSE

BY REPRESENTATIVE PETERSEN

TO: CSHB182 () Version P

1
2
3
4
5
6

In concept: on page 6 line 5, following "director." insert:

(f) For purposes of this section state employee means any employee of the State of Alaska except for persons whose only employment with the state is as a member of the Alaska National Guard, State Defense Forces, or similar military organization of the state.

AMENDMENT

OFFERED IN HOUSE ENERGY BY REPRESENTATIVE _____

TO: HB 182 (Work Draft 26-GH1041\E)

Page 1, line 4, following “municipalities;”

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

Page 2, line 25, following “commission”:

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

Delete “may not reject an amount”

Page 4, lines 19 - 22:

Delete all material.

Page 7, line 31, following “corporation”:

Insert “under (a) of this section”

Page 8, line 15, following “member”:

Insert “(1)”

Page 8, line 17, following “corporation”:

Insert “; and (2)”

Delete “and if the public utility member”

Page 9, line 8, following “directors”:

Delete “or its”

Page 9, line 9:

Delete “members”

Page 9, line 16, following “and” through line 17:

Insert “the articles of incorporation”

Delete “other laws that apply to the corporation”

Page 10, line 24, following “resources”:

Delete all material.

Page 10, line 25:

Delete “deposits”

Page 10, line 26:

Delete all material.

Page 12, line 18, following “**regulation.**”

Delete “(a)”

Page 12, line 23, following “AS 42.50.221”:

Insert “.”

Delete “;”

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

Delete all material.

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

Delete all material.

Page 15, line 4, following “ownership of”:

Delete “fuel supply production,”

Page 15, lines 7 - 9:

Delete all material.

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

Delete all material.

Page 20, following line 30:

Insert new bill sections to read:

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

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

- (1) may not make retail sales of electric power except to an industrial customer under AS 42.50.100(8); [AND]
- (2) is not required to obtain a certificate under AS 42.05.221;
- (3) is exempt from payment of a regulatory cost charge under AS 42.05.254; and**
- (4) is exempt from rate regulation under AS 42.05.431.**

(b) The corporation

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

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

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

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

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

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

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

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

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

(4) may provide for uniform rates and charges in order to extend the benefits of an integrated generation and transmission system and encourage the equitable distribution of the electric power, energy, and other services developed by the corporation;

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

(A) operation and maintenance costs;

(B) administrative expenses not assessed under AS 42.50.160;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Renumber the following bill sections accordingly.

Page 21, line 27, following “6,”:

Insert “9, 11, and 14”

Delete “and 8”

Page 22, line 20, following “6,”:

Insert “9, 11, and 14”

Delete “and 8”

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

Insert “12”

Delete "9"

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

Insert "7, 8 and 10"

Delete "and 8"

Page 22, line 23, following "sections":

Insert "13 and 14"

Delete "10 and 11"

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 143
 (S) Publish Date: 3/9/09

Identifier (file name): 0041-CED-AEA-03-02-09 Dept. Affected: DCCED
 Title: Greater Railbelt Energy and Transmission Corporation RDU: Alaska Energy Authority
 Sponsor: Rules Committee by Request Component: Statewide Project Development
 Requester: Governor Component Number: 2888
 Alternative Energy and Efficiency

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	6,686.0						
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CHANGE IN REVENUES ()							
-------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Railbelt Energy Fund (1012)	6,686.0						
TOTAL	6,686.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation creates a new corporation to own and operate all or a portion of the Railbelt electric power generation and transmission (G&T) system. Under a phased transition, the new company will integrate the existing G&T assets presently owned by the Railbelt utilities and the Alaska Energy Authority (AEA). The company will also have the ability to construct new G&T infrastructure. AEA will develop a plan to allow the new corporation to assume ownership and/or control of its two existing AEA owned Railbelt G&T assets (the Bradley Lake Hydroelectric Project and the Alaska Intertie). The new corporation will ultimately have responsibility as an all-requirements supplier of wholesale power for the Railbelt.

(Continued on Page 2)

Prepared by: Jim Strandberg, Program Manager Phone (907) 771-3000
 Division: Alaska Energy Authority Date/Time 3/2/09 1:00pm
 Approved by: Emil Notti, Commissioner Date 3/2/2009
Department of Commerce, Community and Economic Development

FISCAL NOTE #1

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. SB 143

ANALYSIS CONTINUATION

AEA will provide basic support services to create the new corporation, assist its board members to begin the governance process, coordinate with Railbelt utilities to develop the corporation's bylaws, develop transition and financing plans, establish a detailed regulatory approach, and assist the new corporation in reporting these recommendations to the next legislative session.

AEA as program manager will provide services to form the new corporation, assist its board members to begin the governance process, coordinate with Railbelt utilities to develop the corporation's bylaws, develop transition and financing plans, establish a detailed regulatory approach, and assist the new corporation in reporting these recommendations to the next legislative session.

AEA's services will include procurement of professional and financial service as well as program management. AEA estimates its program services will be needed for a two year period. AEA will need one AIDEA employee for that period to manage this program.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB182 (ENE)
 () Publish Date: _____

Identifier (file name): HB182CS(ENE)-CED-AEA-3-24-10 Dept. Affected: DCCED
 Title: Greater Railbelt Energy and Transmission Corporation RDU: Alaska Energy Authority
 Component: Statewide Project Development
 Sponsor: Rules Committee by Request of the Governor
 Requester: House Energy Committee Component Number: 2888

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	155.0		155.0	155.0				
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	155.0	0.0	155.0	155.0	0.0	0.0	0.0	0.0
Capital Expenditures	2,395.0							
CHANGE IN REVENUES ()								

FUND SOURCE (Thousands of Dollars)

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1012 Railbelt Energy Fund	2,550.0		155.0	155.0			
TOTAL	2,550.0	0.0	155.0	155.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

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

(Continued)

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

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

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSHB 182(ENE)

ANALYSIS CONTINUATION

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

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

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

The estimated costs of the business formation are as follows:

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

State of Alaska Energy-Related Divisions and Programs

Agency	Division, Program, or Individual	Function
Administration	Office of Administrative Hearings	Adjudicates energy-related matters, including oil and gas producer tax disputes.
	Division of General Services	Facilities section manages a number of State facilities, including energy efficiency improvements to these facilities.
	Oil and Gas Conservation Commission	Protects the public interest in exploration and development of oil and gas resources, ensuring conservation practices, and increasing ultimate recovery, while protecting health, safety, the environment, and property rights.
Commerce	Division of Community and Regional Affairs	Works with communities and rural villages to provide technical and financial assistance on a variety of issues. Manages the Community Energy Assistance Program and the Rural Utility Business Advisor program.
	Alaska Industrial Development and Export Authority (AIDEA)	Provides financing for power production projects.
	Alaska Energy Authority (AEA)	Primary mission is to reduce the cost of energy in Alaska. AEA projects and programs: 1) provide for the operation and maintenance of existing Authority-owned projects with maximum utility control, 2) assist in the development of safe, reliable, and efficient energy systems throughout Alaska, which are sustainable and environmentally sound, 3) reduce the cost of electricity for residential customers and community facilities in rural Alaska, and 4) respond quickly and effectively to electrical emergencies.
	Regulatory Commission of Alaska (RCA)	Regulates electric and gas utilities.
Environmental Conservation	Divisions of Air Quality, Environmental Health, Water, and Spill Prevention and Response	Regulates oil and gas production and transportation facilities and systems, and energy production facilities.
	Division of Habitat	Issues permits for construction of energy production and transportation facilities.
Fish and Game	Division of Habitat	Issues permits for construction of energy production and transportation facilities.
Office of the Governor		Provides Executive Branch oversight, policy direction and coordination of energy-related programs.
	Gene Therriault	Senior Policy Advisor: in-state energy issues. Assists the Governor with monitoring and coordination of energy programs and issues.
	Joe Balash	Special Assistant: Energy-related assignments include Cook Inlet Gas, GRETC (Railbelt electric utilities), Gas Line Team, and the RCA (Regulatory Commission of Alaska).
Health & Social Services	Division of Public Assistance	Manages the low-income home energy assistance program.
Military & Veterans Affairs	Division of Emergency Services	Provides funding for energy-related disaster response, such as rural power plant fires and flooding.
Natural Resources	Division of Oil and Gas	Oversees leasing and permitting activity for oil and gas development, royalty revenue collection, resource evaluation, and ensures appropriate oversight and maintenance of oil and gas equipment, facilities, and infrastructure.
	Division of Mining, Land and Water	Assists with permitting of oil and gas, and other energy related developments.
	Division of Geological and Geophysical Surveys	Maps and inventories energy resources on state land.
	State Pipeline Coordinator's Office	Oversees the trans-Alaska pipeline and other common carrier pipelines.
Revenue	Tax Division	Administers oil and gas tax laws and collects associated revenues.
	Alaska Housing Finance Authority (AHFC)	Manages the following energy programs: Weatherization Program, Home Energy Rebate program, State Energy Program, the Research and Information Center, Building Energy Efficiency Standards (BEES), and the Builder and Rater Education program.
	Alaska Natural Gas Development Authority	Primary mission is to develop a natural gas pipeline from Prudhoe Bay to tidewater on Prince William Sound, and a spur line to the gas distribution grid in southcentral Alaska.
Transportation		Plans and develops transportation access to energy resources.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 182
 () Publish Date: _____

Identifier (file name): HB182-CED-AEA-03-15-10 Dept. Affected: DCCED
 Title Greater Railbelt Energy and Transmission Corporation RDU Alaska Energy Authority
 Component Statewide Project Development
 Sponsor Rules Committee by Request Alternative Energy and Efficiency
 Requester House Energy Committee Component Number 2888

Expenditures/Revenues (Thousands of Dollars)

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

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

CAPITAL EXPENDITURES	6,686.0						
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Railbelt Energy Fund (1012)	6,686.0						
TOTAL	6,686.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation creates a new corporation to own and operate all or a portion of the Railbelt electric power generation and transmission (G&T) system. Under a phased transition, the new company will integrate the existing G&T assets presently owned by the Railbelt utilities and the Alaska Energy Authority (AEA). The company will also have the ability to construct new G&T infrastructure. AEA will develop a plan to allow the new corporation to assume ownership and/or control of its two existing AEA owned Railbelt G&T assets (the Bradley Lake Hydroelectric Project and the Alaska Intertie). The new corporation will ultimately have responsibility as an all-requirements supplier of wholesale power for the Railbelt.

(Continued on Page 2)

Prepared by: Jim Strandberg, Program Manager Phone (907) 771-3000
 Division Alaska Energy Authority Date/Time 3/15/10 1:00pm
 Approved by: Emil Notti, Commissioner Date 3/15/2010
Department of Commerce, Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. HB 182

ANALYSIS CONTINUATION

AEA will provide basic support services to create the new corporation, assist its board members to begin the governance process, coordinate with Railbelt utilities to develop the corporation's bylaws, develop transition and financing plans, establish a detailed regulatory approach, and assist the new corporation in reporting these recommendations to the next legislative session.

AEA as program manager will provide services to form the new corporation, assist its board members to begin the governance process, coordinate with Railbelt utilities to develop the corporation's bylaws, develop transition and financing plans, establish a detailed regulatory approach, and assist the new corporation in reporting these recommendations to the next legislative session.

AEA's services will include procurement of professional and financial service as well as program management. AEA estimates its program services will be needed for a two year period. AEA will need one AIDEA employee for that period to manage this program.

Chapter 50. Energy and Transmission Corporations

Sec. 42.50.010. Energy and transmission corporations. (a) Four or more [MUNICIPAL OR COOPERATIVE] public utilities with electrically interconnected service territories may, if first authorized by law, organize an energy and transmission corporation

...

(g) The corporation is authorized to interconnect with and provide services to electric utilities other than public utility members on terms and conditions approved by the corporation's board of directors. The corporation may decline to interconnect with an electric utility or any other entity that fails to meet objective standards for interconnection adopted by the corporation in advance. The corporation shall apply interconnection standards equally and consistently to public utility members, electric utilities, and other entities seeking to interconnect.

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

(b) An entity that meets the qualifications of a public utility member under this subsection shall become a public utility member of the corporation [IF APPROVED BY A TWO THIRDS MAJORITY VOTE OF THE BOARD] upon application for membership. A public utility member

(1) shall be [A MUNICIPAL OR COOPERATIVE] an electric utility with a designated electric distribution service territory, holding a certificate of public convenience and necessity issued by the Regulatory Commission of Alaska;

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

(3) may not be an affiliated electric utility.

(c) Any [AFFILIATED ELECTRIC UTILITY] other entity may become an affiliate member of the corporation under (a) of this section, but shall not have representation on the Board of Directors in accordance with AS 42.50.020(a)(1).

(d) Any member, including a public utility member, may withdraw from the corporation if the member

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

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

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

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

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

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

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

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

(h) Notwithstanding the foregoing provisions, the corporation, by a majority vote of the board, may waive any notice periods required in this section.

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

(10) “public utility member” means an an [MUNICIPAL OR COOPERATIVE] electric utility that has an electric distribution service territory, that holds a certificate of public convenience and necessity issued by the Regulatory Commission of Alaska, that is one of the electric utilities that organizes an energy and transmission corporation or qualifies as [THAT BECOMES] a public utility member of the corporation under AS 42.509.050(b), and that does not withdraw from being a member or public utility member under AS 42.50.050(d) or (e);

Sec. 13 adding a new section to the law of the State of Alaska:

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

- (1) Homer Electric Association, Inc.;
- (2) The City of Seward, Electric Utility Department;
- (3) Chugach Electric Association, Inc.;
- (4) The Municipality of Anchorage d/b/a Municipal Light and Power;
- (5) Matanuska Electric Association, Inc.; [AND]
- (6) Golden Valley Electric Association, Inc.;
- (7) Doyon Utilities, LLC.

Sec. 14 adding a new section to the law of the State of Alaska:

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

- (1) Homer Electric Association, Inc.;
- (2) The City of Seward, Electric Utility Department;
- (3) Chugach Electric Association, Inc.;
- (4) The Municipality of Anchorage d/b/a Municipal Light and Power;
- (5) Matanuska Electric Association, Inc.; [AND]
- (6) Golden Valley Electric Association, Inc.;
- (7) Doyon Utilities, LLC

AMENDMENT

OFFERED IN HOUSE ENERGY BY REPRESENTATIVE _____

TO: HB 182 (Work Draft 26-GH1041\S)

Page 3, line 11, following "(q)"

Insert "Except as otherwise provided in AS 42.50.100, a"

Delete "A"

Page 7, line 30, following "corporation"

Insert "if approved by the board of directors"

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

Insert "11, and 13"

Delete " and 11"

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

Insert "11, and 13"

Delete " and 11"

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

Insert "11, and 13"

Delete " and 11"

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

Insert "Section 14"

Delete "Sections 13 and"

Page 23, line 9, following "Act"

Insert "takes"

Delete "take"

HB 182
Sectional Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

all contractual, regulatory, or other restrictions on the transfer of assets into the corporation. With respect to the Bradley Lake hydroelectric project, this will include review of covenants related to outstanding bonds, and transfer of the FERC license. The flexibility provided in subsection 10(a) and the transition and finance plan under section 8 may enable the corporation to integrate facilities and assets into corporation's operations without first obtaining ownership.

The conveyances of the Bradley Lake hydroelectric project and the Alaska Intertie will be subject to, and will not eliminate, existing contractual rights of various Greater Railbelt electric utilities. For example, the power generated by the Bradley Lake hydroelectric project is already sold to the utilities under a power sales agreement. The right to use the Alaska Intertie is subject to provisions of the Alaska Intertie Agreement. However, the Alaska Intertie Agreement is scheduled to terminate in October 2010, and has been subject of renegotiations between the Alaska Energy Authority and Greater Railbelt electric utilities that participate in the project. The Alaska Energy Authority anticipates that the parties will address as part of the transition and finance plan, whether negotiations with the utilities regarding the agreement should be completed by the corporation rather than the Alaska Energy Authority.

Subsection 10(b) (page 16 line 24 – page 17 line 10) defines certain terms used in section 10 of the bill.

Sections 11 and 12. (Page 17 line 11 – page 18 line 14) Sections 11 and 12 provide for the contingent repeal of section 10 of the bill which authorizes the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the corporation. That repeal will take effect if none of the Greater Railbelt electric utilities choose to participate in the corporation by delivering to the Alaska Energy Authority an acceptable letter of intent by July 31, 2010..

Section 11 (page 17 lines 11 – 12) repeals section 10 of the bill.

Subsection 12(b) (page 17 lines 29 – 30) makes section 11 take effect if none of the Greater Railbelt electric utilities deliver to the Alaska Energy Authority by July 31, 2010, an acceptable letter of intent under which the utility commits to enter a phased commitment agreement among the Alaska Energy Authority, the corporation, and the utility.

Subsection 12 (c) (page 17 in 31 – page 18 line 2) requires the executive director of the Alaska Energy Authority to notify the lieutenant governor and revisor of statutes if the conditions of subsection 12(b) are met.

Subsection 12(d) (page 18 lines 3 – 14) defines certain terms used in section 12 of the bill.

Section 13. (Page 18 line 15) Section 13 gives the bill an immediate effective date.

Greater Railbelt Energy and Transmission Corporation - GRETC

A New Not-for-profit Energy and Transmission Company

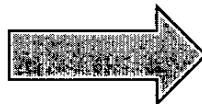
House Energy Committee

House Bill 182

March 18th, 2010

How we got here

- * **REGA Study**
- * Business Case for a new Railbelt G&T Company



- * **GRETC Legislation: 2009**
- * Senate Bill 143
- * House Bill 182

- * **Joint Electric Utility Board Meeting**
- * First of it's kind
- * Letter to Governor
- * Formation of Task Force



- * **GRETC Legislation: 2010**
- * Committee Substitute requested

Railbelt Integrated Resource Plan

- Economically schedules what, when, and where to build G&T, based on available fuel and energy supplies
- 50-year time horizon

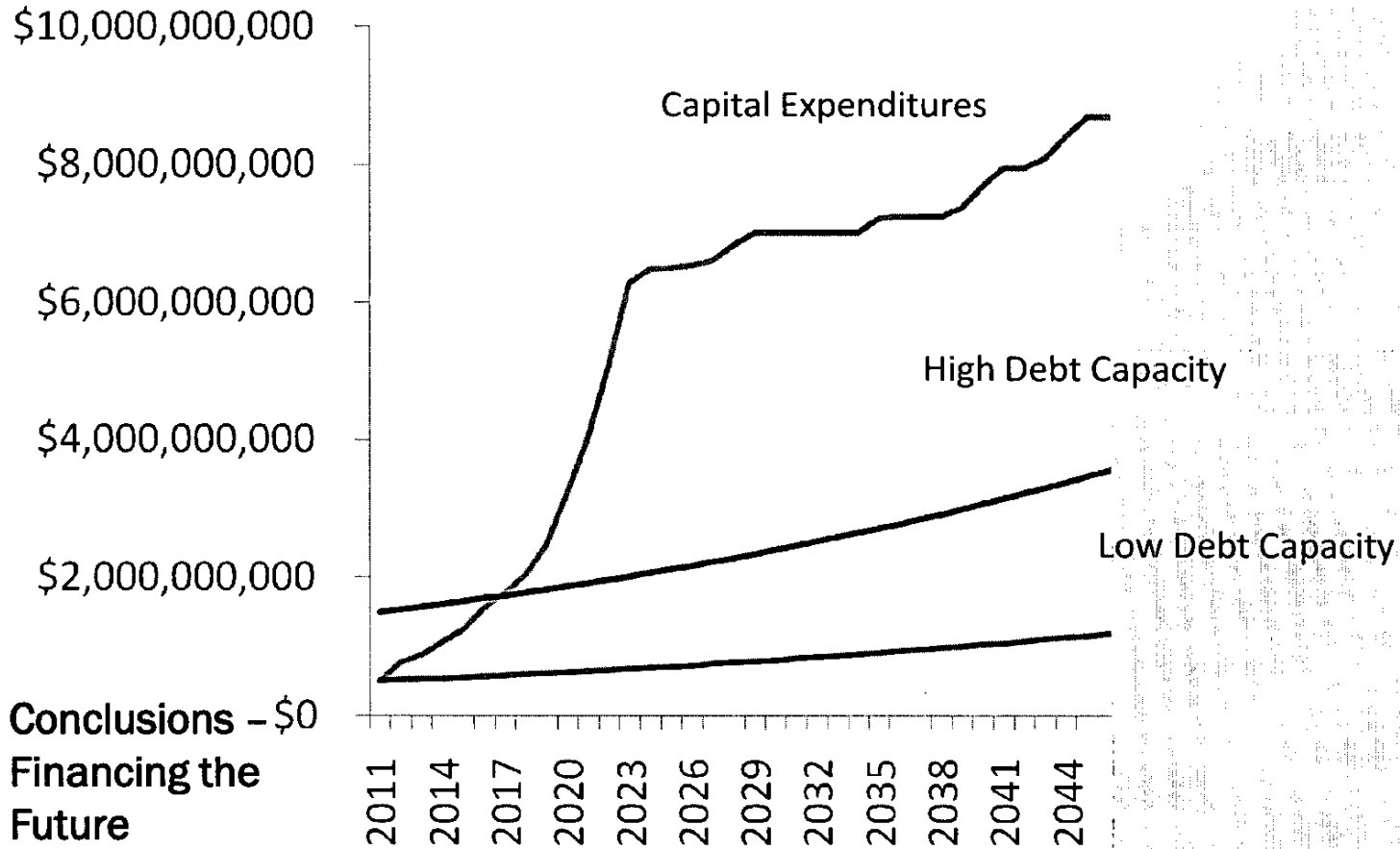
GRETC Objectives

Robust transmission	Diversified fuel supply
Least cost power rates	Spread risk
Financial assistance	Regional planning
Wise resource use	Respond to large load growth

GRETC = Greater Railbelt Energy and Transmission Company

A Comprehensive Plan for the Alaska Railbelt

RIRP Plan 1A Capital Expenditures and Debt Capacity of the Railbelt Utilities



Conclusions - \$0
Financing the
Future

Source: B&V RIRP report, Seattle Northwest Securities

A BRIEFING TO DESCRIBE THE CORPORATION

- × *How is this new GRETC different from what was proposed in the 2009 legislature?*
- × **Topics for discussion to gain this understanding**
 - + **1. Governance**
 - + *2. Mission of Corporation*
 - + **3. External Controls for Corporation Activities**
 - + **4. Initial Tasks for GRETC**

1. GOVERNANCE

- ✘ Private, not for profit statutory corporation, with board of directors**
 - + 2 board members from each Railbelt public Utility member**
 - + 1 public board member**
- ✘ Each board member has equal vote**
- ✘ Board required to designate a chief executive officer**
- ✘ Employees of GRETC not State Employees**
- ✘ All board processes public**
- ✘ GRETC required to develop bylaws**

1. GOVERNANCE – MEMBERSHIP IN GRETC

- ✘ Public Utility Members – Those Railbelt Utilities with Service Areas and retail customers, who are interconnected with the Railbelt Electrical Grid.**
- ✘ Members – Other entities that purchase services from the corporation**
- ✘ Membership requires 2/3 vote of board**

2. POWERS OF CORPORATION

- ✘ **Provide wholesale electric power to public utility members at lowest reasonable long-term cost**
- ✘ **Business purpose – acquisition, construction or development of generation and transmission assets, and ancillary services. Examples are**
 - ✘ **Procure fuel supplies**
 - ✘ **Develop operating standards for service territory of the corporation**
 - ✘ **Develop generation and transmission projects**

2. POWERS OF CORPORATION – DIFFERENCES FROM 2009 LEGISLATION

- ✘ **The new GRETC – in contrast to last year’s bill**
 - + *Now a voluntary organization*
 - + *Subgroups of utilities can develop G&T projects outside of GRETC, and still serve on the board and purchase services from GRETC.*
 - + *Be the primary recipient of state financial aid*
 - + *GRETC is not directed to become an all-requirements provider of wholesale power for the Railbelt – flexibility in approach to develop future Railbelt G&T infrastructure.*
 - + *AEA Integrated Resource Plan provided as a resource to GRETC – requirement to follow removed.*
 - + *Requires at least 4 Railbelt Utilities to join for formation.*

3. EXTERNAL CONTROLS

✘ Areas of Oversight

- + Consumer Protection**
- + Financial Oversight**
- + Effectiveness of Corporation**

✘ Protections

- + RCA economic regulation for a 5 year sunset**
- + Management audits at 3 year intervals for 10 years**

4. INITIAL TASKS FOR GRETC – FORM THE COMPANY

- + Form the Board of Directors**
- + Develop, consider and approve Corporate Bylaws**
- + Establish staffing plan**
- + Establish relationship with Alaska Energy Authority
– support agreements**
- + Develop time line for critical actions – for GRETC to
begin its business functions**

4. INITIAL TASKS FOR GRETC – START THE WORK

✘ Identify task list for GRETC

+ Develop Integrated Resource Plan

✘ State Sponsored Railbelt Integrated Resource Plan will be available for use by GRETC

+ Priority list of projects, business functions, and contractual agreements

+ Develop Capital Improvements Plan

✘ *Begin Critical Infrastructure capital projects*

❖ Questions?

APPENDIX B
FINANCIAL ANALYSIS

*Regional Integrated Resource Plan
Financial Analysis Summary Report*

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2/3/2010

Introduction

The Regional Integrated Resource Plan (RIRP) is a 50-year, long-range plan tasked with identifying the optimal combination of generation and transmission capital improvement projects in the Railbelt region of Alaska. The objectives of the financial analysis portion of the plan are threefold:

1. Provide a high-level analysis of the capital funding capacity of each of the Railbelt utilities, given their current financial condition and assuming that each utility will borrow on its own, rather than utilizing a joint-powers structure or receiving assistance from the State of Alaska.
2. Analyze strategies to capitalize selected RIRP assets by integrating State and federal financing resources with debt capital market resources. Specifically, we look at ways to utilize State funding to:
 - mitigate construction risk,
 - lower capital cost prior to placing assets in service, and
 - extend the debt repayment term beyond terms available in the debt capital markets.
3. Develop a spreadsheet-based model that utilizes inputs from the RIRP model, including total capital requirements, demand-side management (DSM), fuel cost, CO₂ cost, and operation and maintenance cost (O&M), and overlays realistic debt capital funding to provide a total cost to ratepayers of the optimal resource plan.

Railbelt Utility Capital Capacity

The non-profit organizational structure of generation and transmission (G&T) and distribution cooperatives makes it difficult for these entities to produce operating margins and build equity to the levels needed to access the public debt markets. Rate setting is designed to recover operating cost with moderate margins, and any capital in excess of minimal reserves is returned to coop members. Nevertheless, some coops, including Chugach Electric, are able to maintain coverage margins sufficient to secure investment grade credit ratings and utilize the debt capital market to fund asset expansion. Likewise, municipal governments face a similar rate-setting challenge in the form of political pressure to keep rates at levels just sufficient to cover operations and maintain net plant and equipment. In the following sections, we take a look at several key financial measures of coop and municipally owned utilities and utilize these measures to estimate the remaining debt capacity of each of the Railbelt utilities.

To develop the framework for this analysis, we retrieved the publicly available financial reports from each utility's website and the annual filings from the Regulatory Commission of Alaska's website. Using these reports, we summarized each of the utilities' current outstanding debt obligations, company equity, total assets and total plant. We used these figures to derive several important financial ratios, discussed in detail below, that are used by the investment community as well as the nationally recognized rating agencies (Moody's, Standard & Poor's, and Fitch) to determine the ability of each organization to manage its current and/or future debt obligations. It's important to point out that, while no single financial ratio by itself is an accurate determinant of a utility's ability to incur additional debt for capital projects, an analysis of a sampling of several ratios in conjunction with other non-financial metrics (*e.g.*, demand growth, rate-setting authority,

political climate, etc.) helps to create some guidelines for how much debt could reasonably be considered and issued in the capital markets.

Debt to Equity Ratio. The debt to equity ratio (or debt as a percentage of total capitalization) is derived by dividing a utility's total debt by its net capital. The rating agencies have developed median debt to equity ratios for each of the different types of utility organizational structures. For example, a G&T cooperative can expect to have a higher debt ratio percentage than a retail power distributor due to the need to finance large and relatively expensive generation and transmission assets. A summary of these utility medians for debt to equity is provided in the following table:

G&T Coop	82%
Municipal Wholesale	93%
Retail Self Generating	60%
Retail Power Purchaser (Distribution)	40%
Source: Fitch U.S. Public Power Peer Study, June 2009	

The table below calculates the remaining debt capacity for each of the Railbelt utilities under varying debt to equity ratios to derive a total debt capacity amount given existing equity capitalization. Debt to equity capitalization for this analysis ranges from 40% to 80%.

	Existing Debt as of 12/31/2008 ¹	40%	60%	70%	80%
ML&P	\$159,405,791	-	\$175,744,945	\$362,920,220	730,502,349
Chugach	354,383,506	-	-	9,355,443	260,137,205
MEA	89,128,488	-	48,090,737	129,409,217	277,237,086
HEA	148,257,837	-	-	-	99,152,015
GVEA	301,670,508	-	-	-	131,081,336
Seward	²	²	²	²	²
		-	\$223,835,682	\$501,684,880	\$1,498,109,991

(1) 2008 Annual reports and 12/31/2008 Annual Reports to the Regulatory Commission of Alaska
(2) The City of Seward was not included in this analysis due to lack of information regarding their Electric Enterprise Fund

Our analysis found that the debt-to-capitalization ratio for each of the utilities is close to or higher than the median ratio for its organizational type. There does appear to be some additional bonding capacity available for each of the utilities under a G&T cooperative-type structure when compared to the Fitch median ratio of 82%. However, given the utilities' existing debt burdens and current conditions in the financial markets, which have made it more difficult for lower rated power utilities to access capital, it is not clear that the six utilities could support debt capitalization much above 70%. Fitch Ratings specifically mentions that higher debt capitalization percentages can result in negative ratings pressure going forward¹. At approximately 70%

¹ Fitch Ratings, U.S. Public Power Peer Study, June 2009

debt capitalization, the six utilities together could support between \$500 and \$700 million of additional debt. At 80%, available additional debt capacity for the six utilities combined increases to approximately \$1.5 billion. This analysis does not include the City of Seward's capacity. Given its Electric Enterprise Fund asset base of \$26 million (as of 2007), the overall borrowing capacity number would not change by a significant amount if the City of Seward were included.

Debt to Funds Available for Debt Service. An important measure of operating leverage is the Debt to Funds Available for Debt Service ratio (Debt/FADS). This ratio measures a utility's ability to handle its current fixed debt burden based on annual operating cash flow. A lower Debt/FADS ratio indicates either a low overall debt burden or a high operating cash flow, with the opposite being true for a higher Debt/FADS ratio. In the "A" rating category and higher, all but one G&T wholesale system rated by Fitch Ratings had a Debt/FADS ratio higher than 8.8 in 2008. For comparison purposes, the average (and median) Debt/FADS ratio for the Railbelt utilities in 2008 was approximately 8.4, with the highest being 13.66. The operating leverage of the six utilities would increase dramatically as capital spending and debt burden increase. An increase in the operating leverage ratio would cause ratings pressure for utilities maintaining a public credit rating and increased scrutiny by creditors including commercial banks and cooperative banks such as CFC or CoBank.

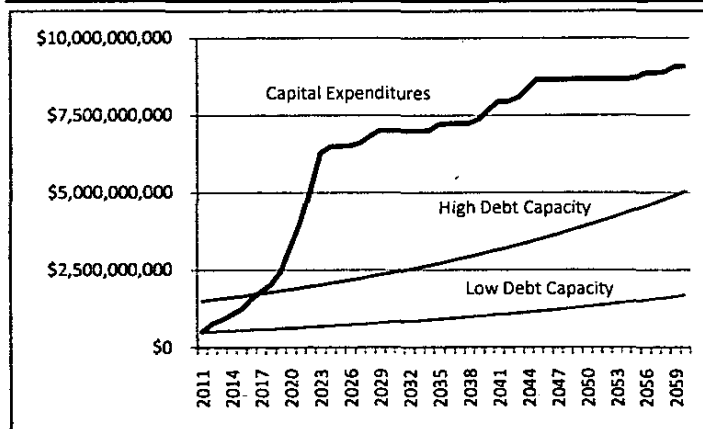
RIRP Capital Requirements Relative to Railbelt Utility Debt Capacity. The preceding debt to equity and Debt/FADS discussions do not take into consideration several additional factors that are relevant to the collective debt capacity of the Railbelt utilities. These factors can impact debt capacity both positively and negatively and include amortization of existing utility debt, the level of new debt required to maintain distribution infrastructure, and potential rate increases.

While these factors are influential, they do not have sufficient positive impact to alter our opinion that the utilities individually do not have the capital capacity to fund the projects recommended by the RIRP. The scope of the RIRP projects is too great, and for certain individual projects, it is reasonable to conclude that there is no ability for a municipality or coop to independently secure debt financing without committing substantial amounts of equity or cash reserves. Specifically, these individual projects would include any that require large capital investment and have any of the following characteristics: exceptionally long construction period, significant construction risk, or

significant technological risk. These types of risk are associated with equity rates of return and are rarely, if ever, borne by fixed income investors.

The graphic to the right helps to put into context the scope of required RIRP capital investments relative to the estimated combined debt capacity of the Railbelt utilities. The lines toward the bottom of the graph represent our view of the bracketed range of additional debt capacity

Black & Veatch Plan 1A Capital Expenditures (Cumulative Total)



collectively for the Railbelt utilities, adjusted for inflation and customer growth over time.

Railbelt Utility Debt Capacity Conclusions. The REGA study completed in 2008 concluded that the most cost effective approach to funding necessary Railbelt generation and transmission assets was to form a regional G&T. While SNW was not asked to validate this conclusion, we are of the opinion that a regional entity such as GRETC, with “all outputs” contracts migrating over time to “all requirements” contracts, will have greater access to capital than the combined capital capacity of the individual utilities. To be clear, our conclusion should not be interpreted to mean that a regional G&T agency would be able to execute the RIRP capital plan independent of any State or federal assistance; however, a regional G&T agency will have lower-cost access to debt capital than the utilities would have on their own. This is primarily due to two factors: (1) a regional G&T entity will eliminate the rate pressure/competition that naturally exists under the current Railbelt construct of each of the 6 utilities independently providing generation and transmission services to their customers, and (2) a regional G&T entity executing a utility-approved comprehensive RIRP plan with strong power purchase agreements will be better positioned with the rating agencies and private investors.

Strategies to Lower Capital Cost of RIRP to Ratepayers

As previously noted, the scope of the RIRP is significant. The complexity of the overall capital plan and the size and construction duration of various projects within the plan will necessitate some amount of “equity” capital from ratepayers and/or the State of Alaska. Furthermore, equity capital, in the form of a ratepayer benefits charge or State financial assistance through either loans or grants, is the most efficient source of funding available to GRETC for the RIRP. Capital accruing from the State in the form of grants or from existing ratepayers in any form needs to be balanced with long-term debt capital so that future rate payers who will benefit from the RIRP assets share the cost of funding these assets. The following sections discuss various sources of equity capital funding and methods for involving the State in the execution of the RIRP.

Ratepayer Benefits Charge. A ratepayer benefits charge is a charge levied on all ratepayers within the Railbelt system that will be used to cash fund and thereby defer borrowing for infrastructure capital. A rate surcharge that is implemented prior to construction allows for partial “pay-go” funding of capital projects and reduces the overall cost of the projects by reducing the amount of interest paid for funding in the capital markets. For example, the potential interest cost savings that could be realized if GRETC were to fund some portion of a \$2 billion project through rates rather than entirely upfront through bond proceeds are shown in the table below:

\$2 billion project		
Rate Surcharge Through Construction	Funded With Bonds	Interest Cost Reduction ⁽¹⁾
\$500 million	\$1.5 billion	\$1.2 billion
\$1.0 billion	\$1.0 billion	\$2.4 billion

(1) Assumes 30-year debt to fund construction at 7.00% interest.

"Pay-Go" vs. Borrowing for Capital. A "pay-go" capital financing program is one in which ongoing capital projects are paid for from remaining revenue after maintenance and operations (M&O) expenses, and debt service are paid for. As will be discussed in further detail later, we have assumed that any bonds sold in the capital markets will require generation of a 1.25 times debt service coverage ratio. Covenanted coverage would likely be lower than 1.25 times. The cash generated in excess of M&O expense and debt service expense ("coverage") will be used to fund reasonable reserves with the balance going towards ongoing capital projects. For example, in years where debt service on outstanding bond issues is the highest, the 1.25 times debt service coverage ratio creates additional reserves in the amount of nearly \$130 million above what is required to pay operating expense and debt service.

There is a tradeoff between the benefits derived from a pay-go financing structure versus one for which all projects are bonded. The benefit to ratepayers and GRETC in the pay-go structure is that it minimizes the total cost of the projects through the reduction of interest costs. On the other hand, the benefit of borrowing for a portion of capital needs is that expenses are spread out over time, and the cost of the debt can be structured to more closely match the useful life of the assets being financed. This is particularly important for some of the larger hydro-electric projects, where the useful life would likely exceed 50 years; these projects have large upfront costs that would be cost-prohibitive if funded entirely through rates. A balance of these two funding approaches appears to be most effective in lowering the overall cost of the project as well as spreading out the costs over a longer period of time.

Construction Work In Progress. Construction Work In Progress (CWIP) is a rate methodology that allows for the recovery of interest expense on project construction expenditures through the rate base during construction, rather than capitalizing the interest until the projects are completed and operating. This concept is important: the overall cost of the projects is significantly reduced through the immediate payment of interest on construction borrowing, versus the alternative of borrowing an additional sum just to pay for the interest while the project is still under construction. The benefit to ratepayers of the CWIP concept is that it significantly lowers both the overall cost of the project as well as the future revenue requirements needed to pay debt service. The use of CWIP in Alaska will most likely need to be vetted and approved by the Regulatory Commission of Alaska.

Both CWIP and pay-as-you-go funding rely on ratepayers to advance dollars for capital projects and thereby convey some project risk to ratepayers. If for example, a generation project were not completed for any reason ratepayers would have paid for a portion of the project even though the asset never produced power. SNW believes that ratepayers in a typical municipal utility structure generally incur this risk regardless of rate setting policies or methodologies. The ability to shift project risk to creditors is both limited and expensive and may not be appropriate for the "System" envisioned by GRETC. Under an Investor Owned Utility (IOU) structure, shareholders are responsible for bearing some of this risk, however shifting risk to shareholders requires higher equity rates of return to those investors. GRETC is not presently contemplated to be structured as an IOU.

State Financial Assistance. State financial assistance could take a variety of forms, but for the purpose of this report, we will focus on State assistance structured similarly to the Bradley Lake project. State financial assistance offers GRETC a number of advantages not available through traditional utility enterprise bond funding or project finance. Similar to a ratepayer benefits charge, State funding, whether in the form of a grant or loan, can be utilized to defer higher cost conventional revenue bond funding. Obviously a grant from the State provides the cheapest form of capital to GRETC, but even when structured as a loan, State assistance can dramatically lower GRETC's overall cost of capital. State funding in the form of a loan has three significant advantages when compared to revenue bonds or a loan from a commercial lender. The advantages of State funding include:

1. *Repayment flexibility.* State funding can be utilized to extend debt repayment beyond the term maturities available in the public or commercial debt capital markets. Additionally, a State loan can easily be restructured or deferred to achieve system rate objectives.
2. *Credit support/risk mitigation.* State funding can be used to mitigate project construction risk. This is particularly relevant for projects with extended construction timelines, such as large hydro-electric projects. Risk mitigation is also relevant in situations where permitting is an issue or a new technology is being used. Generally, fixed income investors will not accept significant construction and permitting risks inherent with the large-scale projects included in the RIRP without some form of support from the State.
3. *Potential interest cost benefit.* State funding can provide a lower cost source of capital. The State's high investment grade credit rating allows it to borrow for less than even the most secure utility enterprise. Assumptions as to the form of State assistance in the financial model are discussed in greater detail below; however, the terms of any loan, agreement, or grant between the State and GRETC will need to be further researched and developed in the next stage of the GRETC formation process.

RIRP Financial Model Summary Results

The development of the RIRP financial model took into account several different goals and objectives. The first goal was to identify ways to overcome the funding challenges inherent with large scale projects, including the length of construction time before the project is online and access to the capital markets. A second goal was to develop strategies that could be used to meet an objective of the RIRP of producing equitable rates over the useful life of the assets being financed. Structures commonly used in the current capital markets would not meet this goal, as certain of the assets required to be financed have longer useful lives than the longest term capital markets transaction could bear. With these challenges in mind, we developed separate versions of the model that would capture the cost of financing under a "base case" scenario and an "alternative" scenario, both of which are described in greater detail below.

Major Assumptions (Black & Veatch Inputs). The input assumptions for the RIRP financial model were developed around outputs from the Black & Veatch PROMOD/Strategist modeling analysis. The results created a detailed list of the capital costs for the projects chosen over the 50-year RIRP time horizon. The results show both generation unit costs as well as required transmission development costs associated with the

selected projects. Other assumptions used from the Black & Veatch PROMOD analysis include associated fuel costs, fixed and variable O&M, CO₂ charges, and forecasted energy load requirements by year, including DSM energy use reductions.

Major Assumptions (Financing Model Inputs). The assumptions used for capital markets transactions within the financing model are all market-accepted structures for an investment grade utility, cooperative, or joint action agency. Below is a summary of the major structuring assumptions used for both financing scenarios:

- 30-year debt repayment on all bond issues sold in the capital markets
- 7.00% interest rate on all bond issues sold in the capital markets
- Rate generated debt service coverage of 1.25X
- All energy generation developed is used or sold
- Debt Service Reserve Fund (DSRF) for each bond issue funded at 10% of bond issue par amount. The DSRF balance is maintained throughout the 50-year RIRP and earns 3.00% interest, which is used to pay debt service on an annual basis.

Base Case Model: Specific Assumptions. The *base case* financing model was structured such that the list of generation and transmission projects would be financed through the capital markets in advance of construction and that the cost of the financing in the form of debt service on the bonds would immediately be passed through to rate payers (see "Construction Work in Progress" herein). Bond issues are assumed to be sold prior to the required project funding dates, and staggered in approximately three-year intervals over the first 20-years, when the majority of the large capital projects and transmission projects are scheduled. The projects being financed over the balance of the 50-year RIRP period are financed through cash flow created through normal rates and charges ("pay-go"). The pay-go approach works once debt service coverage from previous years has grown to levels that create cash reserve balance amounts sufficient to pay for the projects as their construction costs come due.

The sources of funds for the projects included in the RIRP under the base case model are as follows:

RIRP Plan 1A : Base Case Sources of Funds (dollars in millions)	
Bonds	\$5,889
State Funds	\$0
Infrastructure Tax	\$0
Pay-Go	\$3,196

The *base case* model assumes that approximately \$5.9 billion of bonds are sold over the RIRP time horizon through five different bond sales ranging in size from \$656 million to \$2.5 billion. The maximum fixed charge rate on the capital portion alone is estimated to cost \$0.13 per kWh, while the average fixed charge rate over the 50-years is \$0.07 per kWh.

Alternative Model: Specific Assumptions. The *alternative* model was developed with the goal of minimizing the rate shock that may otherwise occur with such a large capital plan, and leveling the rate over time so that the economic burden derived from these projects can be spread more equitably over the useful life of the

projects being contemplated. Similar to the *base case* scenario, the first method used was to transfer the excess operating cash flow that is generated to create the debt service coverage level, and use that balance to both partially fund the capital projects in the early years and almost fully fund the projects in the later years. The second method used was the implementation of a Capital Benefits Surcharge that is applied to rate payers starting the day GRETC is formed. For this analysis, it was assumed that a \$0.01 rate surcharge would be in place for the first 17 years, during which time approximately 75% of the capital projects in the plan will have been constructed. The third method used to spread out the costs over a longer time period was the use of the State as an equity participant in the execution of the RIRP capital funding plan. In a financing structure that is similar to the Bradley Lake financing model, the State would provide the upfront funding for any large hydroelectric projects, to be paid back by GRETC out of system revenues over an extended period of time, and following the repayment of the potentially more expensive capital markets debt. This analysis assumes that a \$2.4 billion hydroelectric project is financed through a zero interest loan to GRETC that is then paid back through a 30-year capital markets take-out bond issue in 2047.

The sources of funds for the projects included in the RIRP under the alternative case model are as follows:

RIRP Plan 1A : Alternative Case Sources of Funds (dollars in millions)	
Bonds	\$3,657
State Funds	\$2,409
Benefit Surcharge	\$883
Pay-Go	\$2,135

The *alternative* model assumes that \$5.9 billion of bonds are sold over the RIRP time horizon through nine different bond sales ranging in size from \$32 million to \$2.4 billion, which includes the \$2.4 billion take-out financing to repay the State for front-funding of hydroelectric assets. The capital costs not bonded for come from the rate surcharge that is applied from day one and cash flow generated from rates and charges after operations and debt service (pay-go capital). The maximum fixed charge rate on the capital portion alone is estimated to cost \$0.08 per kWh, while the average fixed charge rate over the initial 50-year period is \$0.06 per kWh, not including the \$0.01 consumer benefit surcharge that is in place for the first 17 years. While the average fixed cost is not significantly different between the *base case* and *alternative* scenarios, the difference between the two maximum rates are significant. The lower maximum rate in the alternative scenario benefits the rate payers by smoothing out the rates over a period of time that more closely matches the useful life of the RIRP assets.

Summary, Next Steps, Conclusion. The RIRP presents a number of funding challenges, given the size and scope of the projects being contemplated. It has become evident through the financial modeling and the individual debt capacity analyses of this process that the utilities on their own would not be able to accomplish such an ambitious capital plan. The formation of a regional entity, such as GRETC, that would combine the existing resources and rate-base of the Railbelt utilities, as well provide an organized front in working to obtain private financing and the necessary levels of State assistance would be, in our opinion, a necessary next step towards achieving the goal of reliable energy for the Railbelt now and in the future.



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March 24, 2010

Representative Charisse Millett
Co-chair, House Energy Committee
State Capitol, Room 412
Juneau, AK 99801

Dear Representative Millett:

The Homer Electric Association (HEA) Board of Directors appreciates the unprecedented cooperation of all six (6) Railbelt utilities in setting a path for future large generation and transmission projects. The HEA Board participated in the drafting of the original legislation establishing the Greater Railbelt Energy and Transmission Corporation (GRETC) and was supportive of the legislation submitted by the GRETC Task Force to the Governor earlier this year.

However, recent amendments and changes being proposed will significantly alter the GRETC legislation. The HEA Board cannot support these amendments without a thorough review and consideration of the effect they will have.

The HEA Board continues to see many benefits in establishing a Railbelt Generation and Transmission entity that can plan for and facilitate the construction of efficient new generation, development of a more robust transmission system, and the integration of renewable energy projects. Additionally, the ability of the State to assist in financing these projects has great potential to benefit rate payers and spur economic development.

The HEA Board, at its March 23rd meeting, unanimously directed me to request that the Committee consider the original GRETC legislation that was submitted to the Governor. This legislation is the result of long hours of collaborative work among State and utility representatives. If the original GRETC legislation, which was agreed upon by the Task Force, is not going to be adopted, the HEA Board requests the GRETC legislation be postponed until a thorough review of recent proposed amendments is undertaken. The HEA Board and management are eager to assist in this review so that the final legislation is reflective of the original intent of the GRETC Task Force. Thank you for considering this request.

In closing, HEA continues to believe that the creation of a regional energy organization is the only viable means to efficiently pursue the implementation of large scale renewable energy projects for the Railbelt.

Sincerely,

Deborah Debnam
President, HEA Board of Directors

Response to March 18, 2010, Memorandum: Greater Railbelt Energy and Transmission Corporation; drafting issues (CSHB 182(), Work Order No. 26-GH104E)

1. *Effective Date provisions, particularly in sec. 11 of the bill. The memorandum interpreted sec. 11 of the bill to not be subject to a contingency, so contingency language was deleted and effective date provisions were consolidated. The memorandum suggested that other effective date provisions also be reviewed.*

The intent was to establish a contingent effective date for sections contained in sec. 11 of the bill. That section is intended to make effective on August 16, 2015, statutory sections and amendments that will make energy and transmission corporations exempt from rate regulation. If the contingencies incorporated in sec. 9 of the bill are not met, the statutory provisions related to energy and transmission corporations will not take effect. In that event, there would be no reason to make effective five years later the provisions contained in sec. 11 of the bill. Sec. 11 of the bill therefore should be made subject to the contingencies incorporated in sec. 9 of the bill.

The proposed amendments to the work draft would accomplish this intent by adding sec. 11 (sec. 14 in proposed amendments), to sec. 10 of the work draft (sec. 13 in proposed amendments).

The proposed amendments would also list statutory sections and amendments intended to take effect August 16, 2015, when energy and transmission corporations would become exempt from rate regulations. These statutory sections include amendments to AS 42.50.100 (new sec. 7 in proposed amendments) and AS 42.50.160 and AS 42.50.180 (new sec. 8 in proposed amendments).

2. *AS 42.50.431(i)(1) and (2), bill section 3, work draft uses "cost" rather than "funding for consistency.*

These edits in the work draft improved the bill.

3. *The memorandum referenced inconsistencies in provisions related to rate regulation, including AS 42.05.711(q) added by sec. 5, AS 42.05.431(i) added by sec. 3, and AS 42.50.100(b)(2).*

These inconsistencies are corrected with the proposed amendments to the effective date provisions described in (1) above. The intention is that several statutory changes will take effect on August 16, 2015, under sec. 11 of the work draft (sec. 14 in proposed amendments) when energy and transmission corporations become exempt from rate regulation. AS 42.05.711(q), added by sec. 5, will become effective. AS 42.05.431(i), added by sec. 3, will be repealed by sec. 7 of the work draft (sec. 10 in proposed amendments). And, AS 42.50.100 will be amended to add subsection (b)(2) by sec. 7 in the proposed amendments.

4. *The memorandum questions whether there should be a cross reference between AS 44.83.396 and AS 42.50.010. AS 44.83.396 provides that the Alaska Energy Authority owns and operates projects acquired or constructed as part of the former energy program for Alaska, and AS 42.50.010 references that an energy and transmission corporation is organized, in part, to "acquire, operate, or maintain" these projects.*

The proposed amendments would add new sec. 9 to the work draft to amend AS 44.83.396(c). This amendment would give the Alaska Energy Authority explicit authority to contract with an energy and transmission corporation to operate a former energy program project if one or more public utility members of the corporation are wholesale power customers to be served directly by the former energy program project.

With respect to the Railbelt and GRETC, the original bill included provisions for the Alaska Energy Authority and GRETC to negotiate for GRETC to acquire the Bradley Lake hydroelectric project and the Alaska Intertie. Those provisions were deleted from the proposed CS and work draft due to a perception that the provisions would unnecessarily complicate the bill this legislative session.

While the acquisition of the projects can be accomplished in the future, there is an expectation that GRETC will contract with the Alaska Energy Authority to operate these two projects. This contract will enable GRETC to obtain many of the benefits for Railbelt utilities, and provide many of the public benefits, originally contemplated from acquiring the projects, while avoiding the potential complications this legislative session. The proposed amendments to AS 44.83.396 will more clearly enable the parties to contract.

5. *The memorandum describes how AS 42.50.010(c), which lists various corporation Acts that will not apply to an energy and transmission corporation, may be misinterpreted if other corporation Acts are not disclaimed. The memorandum also points out that "members" is not normally used in corporations.*

The proposed amendments would delete AS 42.50.010(c). That section is in the original bill because that bill was modeled after the Commercial Fishing and Agriculture Bank (CFAB) statutes (AS 44.81). The purpose of the section was to clarify the status of a quasi-public corporation such as CFAB. But, as the memorandum describes, the attempt to clarify might mislead instead. Further, Railbelt Utility Task Force proposed changes to the original bill give the utilities and the energy and transmission corporation more flexibility. These changes make the orientation of the corporation a bit more private, and a bit less quasi-public.

The proposed energy and transmission corporation uses "members" because it is effectively a generation and transmission cooperative. Just as "members" is used by a corporation organized under AS 10.25 (the Electric and Telephone Cooperative Act), we believe it appropriate to use "members" in this bill.

6. *The memorandum questions whether directors may decline to approve a public utility member for any reason under AS 42.50.050(b).*

Yes. It should be noted, however, that this does not apply to the initial public utility members who organize GRETC. It would only apply to public utilities that desire to join GRETC in the future. These public utilities could include (a) any existing Railbelt utility that chooses not to initially join GRETC, (b) any existing Railbelt utility that initially joins, but later withdraws from GRETC, or (c) another public utility that interconnects with the Railbelt some time in the future.

7. *The memorandum questions whether a vote is required to allow an affiliate member to become a member of the corporation.*

The intent was that the board would vote on admitting an affiliate member. A proposed amendment is made to clarify this intent.

8. *The memorandum questions whether AS 42.50.050(f) is intended to mean that a public utility member may withdraw but still be a member.*

Yes, that is the intent of the provision. In order for a public utility member to completely withdraw from the corporation, the member must meet 3 conditions described in subsection (d). In order for a public utility member to withdraw as a public utility member but remain a member, the member only needs to meet the second and third conditions in subsection (d) - - the member need not meet the first condition "pays or provides for the payment of all liabilities owed to the corporation." To help clarify this, the proposed amendments attempt to have subsection (f) follow the format of subsection (d) by putting the two conditions in paragraphs (1) and (2).

9. *The memorandum identifies that AS 42.50.060(d) is the only section which authorizes members to act; members may change the location of the principal corporate office, and suggests removing the reference.*

The proposed amendments remove the reference to "members."

10. *The memorandum describes ambiguities which arise from the phrase "other laws that apply to the corporation" in AS 42.50.070(b), and suggests that other laws be identified by reference.*

The proposed amendments delete the phrase. The language was intended to be a generic statement, but as the memorandum describes, it creates ambiguities.

For further clarity, the proposed amendments state that bylaws must also be consistent with "the articles of incorporation."

11. *The memorandum questions whether AS 42.50.180(b)(4)(B) and AS 42.50.180(b)(5) are duplicative, and whether one may be deleted.*

The two provisions are intended to accomplish opposite purposes. AS 42.50.180(b)(4)(B) is part of a list of costs that may be *included* in just and reasonable rates. AS 42.50.180(b)(5) is a cost that must be *excluded* from just and reasonable rates.

12. *The memorandum questions whether AS 42.50.180(b)(7) is redundant and should be deleted.*

Half of AS 42.50.180(b)(7) appears to duplicate AS 42.50.180(b)(2) and half is unique. In the proposed amendments, all of AS 42.50.180 is deleted from sec. 6 of the work draft bill because it is not intended to become effective until the corporation becomes exempt from rate regulation on August 16, 2015. The section is included in sec. 8 to be added in the proposed amendments. The substance of the unique half of paragraph (b)(7) is inserted as new paragraph (b)(3), the remainder of (b)(7) is deleted, and other paragraphs are renumbered.

13. *The memorandum questions whether the tax applied to retail sales of electricity by the corporation under AS 42.50.190 should also apply to members of the corporation.*

No. Both municipalities and electric cooperatives are tax exempt entities. Cooperatives, however, already must pay an electric cooperative tax on all retail sales of electricity. This tax is collected by the state, and distributed to local governments. It is effectively a type of payment in lieu of taxes to the local government. Any cooperative utility that is a member of an energy and transmission corporation will necessarily pay the tax for all retail sales of electricity sold by the cooperative utility.

AS 42.50.190 is modeled after a portion of AS 42.45.310(f), applicable to joint action agencies formed under AS 42.45.310. The purpose of these provisions is to ensure that electric sales by these entities will be tax revenue neutral to local governments. The primary concern is that if one of these entities could sell electricity at retail, local governments could lose tax revenues from what otherwise could have been retail sales by an electric cooperative.

In contrast, municipalities are tax exempt governmental entities. The cooperative tax has never applied to retail sales by municipalities. Making municipal utilities subject to the electric cooperative tax would impose a new tax, and would not be tax revenue neutral.

14. *The memorandum questions whether a cross-reference or clarification should be added to AS 42.50.200 and AS 42.50.220. Section 200 requires the board to publish "audited financial statements" on the internet, while 220 requires an audit report to be submitted to the legislature and governor within 30 days of receipt. While the provisions may not be in technical conflict, some cross-reference or clarification might be appropriate.*

We do not believe any statutory change is necessary. As the memorandum mentions, there is no technical conflict between the provisions. AS 42.50.200 requires the board to publish an annual report that includes "audited financial statements" on the internet, while AS 42.50.220 requires the corporation to submit an audit report to the governor and legislature. It should be noted that AS 42.50.200 also requires the corporation board to include within its annual report published on the internet "any other information requested by the legislature." If the legislature believed the audit report, or other information, ought to be published on the internet as part of the annual report, the legislature can require that to happen.

15. *The memorandum suggests that the bill might be subject to challenge as special legislation in violation of art. II, sec. 19 of the state constitution, and provides analysis of case authority.*

Art. II, sec. 19 of the state constitution provides, in relevant part:

The legislature shall pass no local or special act if a general act can be made applicable. Whether a general act can be made applicable shall be subject to judicial determination.

In analyzing local and special legislation issues, the Alaska Supreme Court follows an analysis that is substantially the same as that used with nonsuspect classifications challenged as violative of equal protection. *Baxley v. State*, 958 P.2d 422, 430 (Alaska 1998). The court will examine "the legislative goals and means used to advance them [to] determine whether the legislation bears a 'fair and substantial relationship' to legitimate purposes." *Id.*, quoting *State v. Lewis*, 559 P.2d 630, 643 (Alaska 1977), *appeal dismissed, cert. denied*, 432 U.S. 901. The court will accept "incidental local or private advantages" and will also accept some unevenness in the application of the legislation. *Id.*

When legislation is examined as to whether it is "local" or "special," the ultimate question is whether it is "reasonably related to a matter of common interest to the whole state." *Abrams v. State*, 534 P.2d 91, 94 (Alaska 1975). Thus, legislation does not violate the constitution just because it operates only within a limited number of geographic areas. *Id. citing Boucher v. Engstrom*, 528 P.2d 456, 463 (Alaska 1974), *overruled on other grounds, McAlpine v. University of Alaska*, 762 P.2d 81, 85 (Alaska 1986). In addition, the court has twice upheld the constitutionality of allegedly special legislation where that legislation was addressed to unique situations of state-wide import. *Baxley*, 958 P.2d at 422; *Lewis*, 559 P.2d at 644.

We believe that the proposed legislation is not local or special, but rather reasonably relates to a matter of statewide concern for several reasons.

The work draft reflects a significant change from the original bill. In the original bill, one specific corporation would have been formed, with the legislation specifically naming the entities involved with that one corporation. The work draft has transformed AS 42.50

into a piece of general legislation with statewide impact. The bill now establishes statutory provisions related to energy and transmission corporations – not just one corporation. The work draft thereby significantly reduces the potential that the bill could be successfully challenged under art. II, sec. 19 of the state constitution.

The authority given for Railbelt utilities to organize the Greater Railbelt Energy and Transmission Corporation (GRETC) will provide benefits to the broad, Railbelt geographic area, and serve a majority of the population base. An energy and transmission corporation is established to provide public benefits by providing an entity from which electric utilities may establish interconnection and operating standards, plan for, finance, construct, and acquire generation and transmission assets for their electrically interconnected region. Fulfilling these purposes will promote local power generation, strengthen the economy in the region, and benefit the communities and their ratepayers. While primarily focused upon the Railbelt; these economic benefits will inure to the entire state.

Another purpose for establishing an energy and transmission corporation is to create an entity that may acquire, operate or maintain a project the Alaska Energy Authority acquired or constructed as part of the former energy program for Alaska. While the current legislation does not provide for acquisition of any Alaska Energy Authority projects, it does provide means for GRETC to operate projects and fulfill state obligations. This also provides statewide benefits.

However, even if the legislation were considered “local” or “special,” more general legislation could not be passed. An energy and transmission corporation is established to provide public benefits within an electrically interconnected region. Many of the public services from one energy and transmission corporation could not be provided outside of its electrically interconnected regions. The bill therefore contains very limited provisions focused upon the Railbelt region alone (e.g., sec. 8 which authorizes utilities to form GRETC). We believe a court would uphold this “incidental local or private advantage.”

March 24, 2010

Representative Bryce Edgmon, Co-Chair
Representative Charisse Millett, Co-Chair
House Energy Committee
Alaska State Capitol
Juneau, AK 99801

RE: HB 182

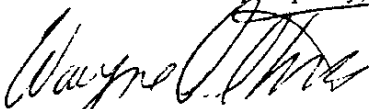
The Alaska State Chamber of Commerce supports HB 182, which would establish the Greater Railbelt Energy and Transmission Corporation. The railbelt energy corporation will ultimately meet the railbelt's long-term electric power needs with stable, reliable and affordable power. The State Chamber believes combining efforts between multiple utilities will provide for long-term sustainable power solutions for the region.

Our economy is dependent upon stable, reliable and affordable energy. A private-public partnership that combines the entrepreneurial aspects of private enterprise with the backing of the state will meet the challenges facing all electric utilities within the railbelt region. HB 182 combines these power efforts and will lead to additional benefits by diversifying energy options from fossil fuels to renewable and other alternative energy sources. We understand the utilities are currently working out their differences with the legislation, but trying to gain 100% conformity to one bill is certainly a challenge.

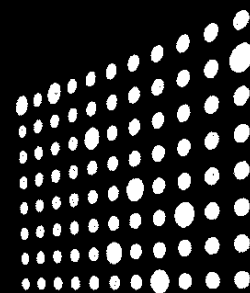
The future of Alaska's energy future must begin by starting the planning process today. HB 182 moves the region forward in uniting energy needs with commonalities that will ultimately provide cheaper and better alternatives for all of the region's businesses and habitants alike.

We support the legislation and hope you are able to move the concept forward.

Yours in economic prosperity,



Wayne A. Stevens
President/CEO



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ALASKA CONSERVATION ALLIANCE

TO: REPRESENTATIVES CHARISSE MILLETT AND BRYCE EDGMON, CO-CHAIRS,
HOUSE SPECIAL COMMITTEE ON ENERGY

FROM: ALASKA CONSERVATION ALLIANCE

CONTACT: CAITLIN HIGGINS, EXECUTIVE DIRECTOR; CAITLIN@AKVOICE.ORG, 907.258.6175 OR
ELIZABETH OUTTEN, STATEWIDE ENERGY COORDINATOR; ELIZABETH@AKVOICE.ORG, 907.258.6102

SUBJECT: HB 182: GRETC **DATE:** MARCH 30, 2010

On behalf of the conservation community, the Alaska Conservation Alliance respectfully submits the below comments on the proposed draft language to create a unified Railbelt utility, or GRETC. The Alliance and its 40 member organizations representing 38,000 Alaskans acknowledge the Administration's work to find consensus on these issues and appreciate its efforts as well as the positive initial steps taken by Railbelt utilities. We also appreciate the legislature's work to consider the proposed entity. We encourage your continued consideration of the following points so that we may ultimately support legislation to create a consolidated utility.

Energy Efficiency, Demand-Side Management, and Conservation. Energy efficiency and demand-side management are clearly cost-effective. As outlined in the *REEL in Alaska Roadmap*, a central utility that plans and promotes energy efficiency could provide the Railbelt with significant economic gains and job growth, and assist efforts to better plan which generation projects are truly needed. As a result, we encourage that statutory language require the unified utility to evaluate and enact cost effective conservation and demand side measures in the development of its integrated resource plan (IRP). Life-cycle costing needs to become the standard for evaluating all projects. Additionally, renewable energy with a stable long term price is the region's best long term economic interest. This committee has voiced the goal of obtaining at least 50% of its power from renewables. GRETC's statutory language should support the new utility's role in incorporating the goal into its IRP.

Financial and Regulatory Oversight. We support ongoing regulatory and financial oversight of the proposed single, large new entity. Such oversight should be maintained by the Regulatory Commission of Alaska and should not sunset after five years of operation. This ongoing regulation ensures that individual ratepayers, businesses, and industry have access to reliable, safe utility services, an important component of what is and should continue to be required of any energy supplier. RCA regulation of the single entity maintains a system of checks and balances that we consider essential in the oversight of the proposed entity, and we encourage the addition of statutory language to address this issue.

Governance and Public Input. Ratepayers' voices are an essential aspect of utility governance. We encourage that the board of directors of the new utility include a significant portion of citizen representatives above the currently proposed single governor appointee. We would alternatively support a separate citizens' utility board responsible for overseeing the utility's activities. Either of these options ensures fair representation of consumer voices in an entity that would contain great decision-making power affecting the lives of many ratepayers. We support the statutory language that has thus far maintained open meetings provisions and strongly encourage that language be added to ensure that public representation and/or oversight is a meaningful part of the new entity.

Therefore, we recognize that utility consolidation can provide many benefits for the Railbelt region. So that we may support a GRETC proposal, we encourage the legislature to consider including language to better address financial and regulatory oversight, governance and public input, and energy efficiency.

The legislature has an opportunity to create a regional entity that can be the most effective organization to bringing important energy improvements to reality. We are committed to working with utilities, stakeholders, legislators, and the people of Alaska to assist efforts to create this new entity that will meet our public electrical needs for coming generations.

Thank you for your consideration and focus on this important issue, and please do not hesitate to contact us with further questions.

The Alaska Intertie Electric Transmission Line

Description: The Alaska Intertie is a 170 mile long electrical transmission line that stretches from Willow to Healy River. The Intertie project includes several high voltage transformers, switching and access points at each end. This transmission link includes 3 facilities placed strategically in the Railbelt Grid, to provide system electrical stability. The project cost \$124 million.

Also a part of the intertie operation, are ongoing agreements with Matanuska Electric Association to use MEA owned transmission lines to connect the intertie into the Chugach Electric Transmission System at the Teeland Substation, some 25 miles to the southern end of the intertie at Willow. An Alaska Intertie extension project is being pursued by the Alaska Energy Authority and Municipal Light and Power in an interagency agreement, to construct a section of transmission line that will extend AEA owned assets to the Chugach Electric Association transmission system. This extension will become a part of the project.

Background: The project was designed for high voltage operation at 345 kilovolts to handle expected Susitna power transmission needs. When the Susitna project was shelved, the need for movement of large amounts of power from the Talkeetna area both north and south because a potential future requirement, so the project was placed into operation at 138 kilovolts, and was configured to transmit up to 75 megawatts of power.

Because the project ran short of funds, arrangements were made with MEA to rent 20 miles of their 115 Kilovolt transmission system, and to build a 5 mile section from Teeland Substation on the Knik Road to a connection location within the MEA service area at Hollywood Road. The Railbelt Utilities in cooperation with the Alaska Energy Authority sought appropriations out of the Railbelt Energy Fund to complete the intertie in 2003. This extension project is presently being pursued by the AEA, in conjunction with two other intertie renovation projects, the Static VAR compensator upgrade and Tower 195 renovation. AEA is also reviewing with its contractor ML&P and with Chugach Electric Association where the southern terminus of the intertie should connect into the Chugach Electric Association system. This consideration is included in the regional integrated resource plan AEA is pursuing for the Railbelt.

Purpose: The Alaska Intertie connects the southern Railbelt Utilities electrically with Golden Valley Electric Association that serves communities to the north of the Alaska Range. Designed to move power in both directions, the intertie has been used chiefly to convey inexpensive electrical energy produced by Chugach Electric and Municipal Light and Power northward to become a part of the GVEA energy portfolio. Recently, power flows have flowed from GVEA south to the Chugach system, when Chugach lacked access to sufficient natural gas to carry the Chugach system load.

Sources of Funds: The intertie is owned outright by the Alaska Energy Authority, and has no debt associated with it. The Railbelt Utilities gain access to the project through an Intertie Agreement. As with Bradley, while AEA is the owner, the Railbelt Utilities through contract maintain and control the intertie. The agreement can only be changed with unanimous agreement from the Railbelt Utilities, but there is a termination clause that AEA has used to start a 4 year termination process, with the intent of negotiating a new agreement. This termination date is October 2010.

Operation of Facility: AEA contracts with ML&P and with GVEA to monitor and control the Intertie. Each operates a control center, and staff work cooperatively in the operation of the project. AEA contracts with Chugach, MEA and GVEA for maintenance of northern and southern legs of the project, and for maintenance of the three electrical stability (SVC) facilities.

The AEA project manager sits on the Intertie Operating Committee, which handles all technical and financial matters for the intertie project. The agreement specifies that the transmission rate be determined each year based on proposed schedules for use and annual budgets. At the end of the year, actual costs and power transmitted are used to true up costs. AEA receives no revenue from the project, and recovers only its program management costs from the annual budget.

Bradley Lake Hydroelectric Project

Description: Bradley is a storage hydro electric power project located near Homer, Alaska. With a peak capacity of 126 MW, and significant water storage held behind a rock fill dam, Bradley is an important part of the Railbelt operating power portfolio. Due to its remote location, the project has its own airstrip, boat dock, residential quarters, and utility system. The project is interconnected to the Homer Electric Association transmission system through 21 miles of dual 138KV transmission lines.

Background: The power generation potential of Bradley Lake was first studied by the U.S. Corps of Engineers and presented in a report dated March 1955. The project was authorized by Congress in 1962, but, despite its feasibility, federal funds were not available for its construction. The Alaska Energy Authority (then Alaska Power Authority) assumed responsibility for the project in 1982. Preliminary plans and field investigations started in 1982. In April 1984, the Authority submitted an application for license to the Federal Energy Regulatory Commission (FERC). The license to construct the project was issued on December 31, 1985. In December 1987, the Authority and the Railbelt utilities entered into a Power Sales Agreement to delineate responsibilities. Project was declared in commercial operation September 1, 1991. Bradley has been producing power for 16 years. In 2007, Bradley produced 392,000 MWh of power at a cost of approximately \$.039 per kWh.

Purpose: The Bradley project provides 5-10% of the annual Railbelt electric power needs at the lowest Railbelt wide generation cost. Bradley is most important to the Railbelt electric system during the cold winter months, when demand for both electric power and gas for heat is at its highest. Utilities limited by available gas use Bradley power to meet the high electric demand.

Source of Funds: The project is owned by the Alaska Energy Authority, who has issued tax exempt bonds to finance a portion of cost of the project. The original cost was \$328 million. The State of Alaska appropriated a portion of the construction funds to AEA's predecessor Alaska Power Authority, and the original principal on tax exempt revenue bonds was \$165M. Since going into operation this initial principal has been paid down to a present amount of \$113.69M. The bonds will be paid off in 2021. When bonds are paid off, payments are to continue to AEA for deposit into the Railbelt Energy Fund to refund the initial appropriations made to build the project.

Operation of Facility: All costs of operation that include payments to the bond holders and operations and maintenance costs are borne by the Railbelt Utilities and their Rate payers, who are signatories to the Bradley Lake Power Sales Agreement. Governance is through management committees populated by the Railbelt Utilities, with the AEA project manager also a member. Each year a new rate is calculated to offset actual costs of operation of the project. The Alaska Energy Authority has a small administrative fee associated with owning the asset and receiving rate payments and paying for the cost of operation. AEA provides a project manager to oversee the AEA involvement in the project.

- The agreement specifies an allocation of the Bradley Lake Power to Railbelt utilities, and through subsidiary agreements the utilities dispatch this power through the Railbelt grid to each utility.
- Under the power sales agreement, 100 percent of the project's capacity and energy has been sold to purchasers who are a part of the agreement:

1. Chugach Electric Association, Inc.	30.4%
2. Municipality of Anchorage	25.9%
3. Alaska Electric and Energy Cooperative, Inc. [1]	25.8%

Bradley Lake Hydroelectric Project

4. Golden Valley Electric Association	16.9%
5. City of Seward	1.0%

Note 1: AEG&T power flows as follows:

Homer Electric Association at (12.0%)

Matanuska Electric Association at (13.8%)

- AEA cannot unilaterally terminate the Bradley Power Sales agreement. The agreement could be changed, but only if all the Railbelt Utilities agreed. The term of the agreement is 50 years, or the date the revenue bond principal obligations are paid. Purchasers will have the ability to renegotiate the power sales agreement after bond obligations are retired.

House Energy Committee (March 26, 2009)

Good Afternoon Chair Millet or Edgmon,

My name Brad Janorschke, General Manager for Homer Electric Association. I appreciate the opportunity to testify on HB 182 and will keep my comments brief.

As you are aware, Homer Electric Association is one of the 6 Railbelt electric utilities included in the proposed legislation. Over the last 6 months, HEA's members have experienced rates that have increased from about 14.5 cents to 21.5 cents per kWh, a 48% increase driven primarily by escalating fuel costs. Fuel costs are not our only challenge, nor are we alone. In addition to the need to address future fuel needs, the Railbelt utilities are facing many other challenges that will require cooperation, planning, and capital if we are to ensure three fourths of Alaska's population is to continue to receive reliable, cost effective power.

HB 182 does create the opportunity for the utilities to participate in an organization that will be responsible for addressing and creating the synergies needed to solve the previously mentioned challenges. Many details need to be worked out and it is anticipated these details will be addressed in a yet to be developed transition plan. HEA will work in good faith to assist in the development of such plan.

Although we have a concern about board composition outlined in the current bill, we are working with the administration to resolve that concern. As a result, HEA does support the concept of HB 182 and we support the movement of this bill to the next step.

Thank you for the opportunity to speak today.



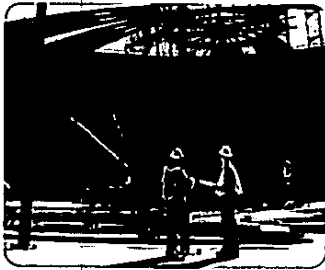
Charlene (LIO)

Brad Janorschke
Homer Electric Assn
3977 Lake Street
Homer, AK 99603

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BLACK & VEATCH



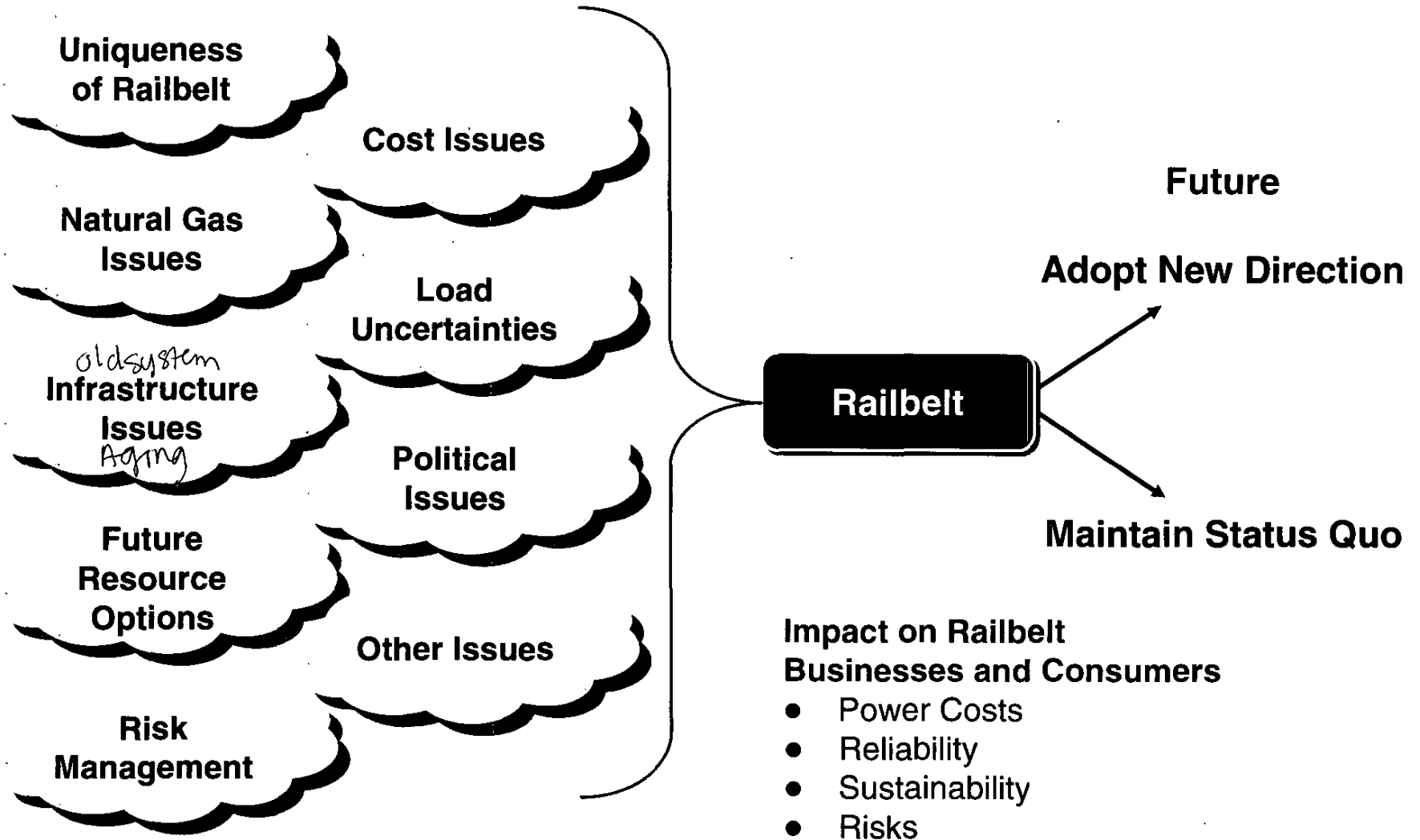
Alaska Railbelt Electrical Grid Authority (REGA) Study

Results and Recommendations

March 26, 2009



Summary of Railbelt Issues





Project Overview – Objectives

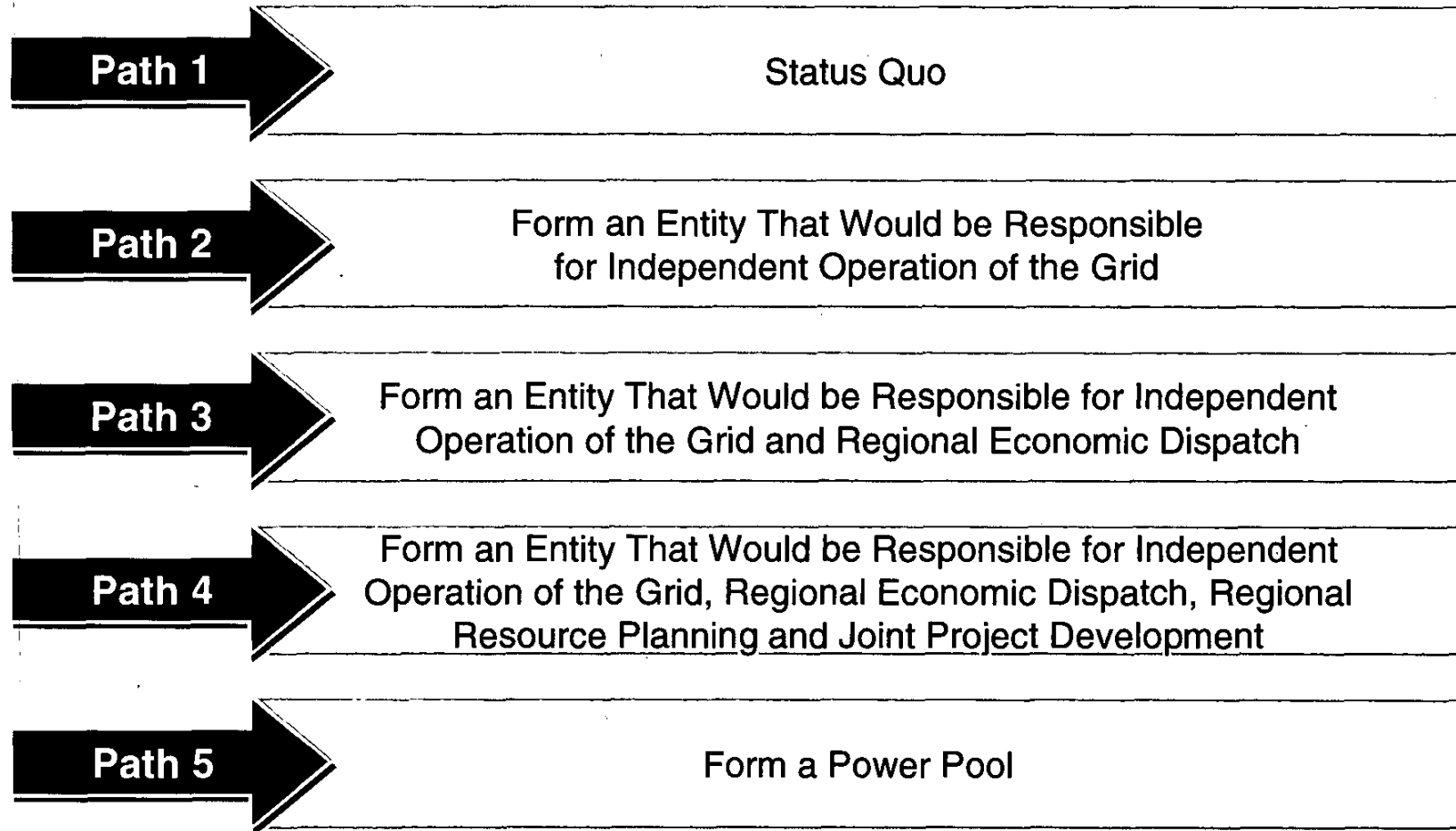
- Identify and assess a list of business structure options for the future Railbelt generation and transmission system
- For each option, further analyze alternative structures to manage and dispatch electric power throughout the Railbelt region
- Provide a final work product for stakeholders and decision-makers to consider in planning how to meet the Railbelt region's energy needs over the next 30 years



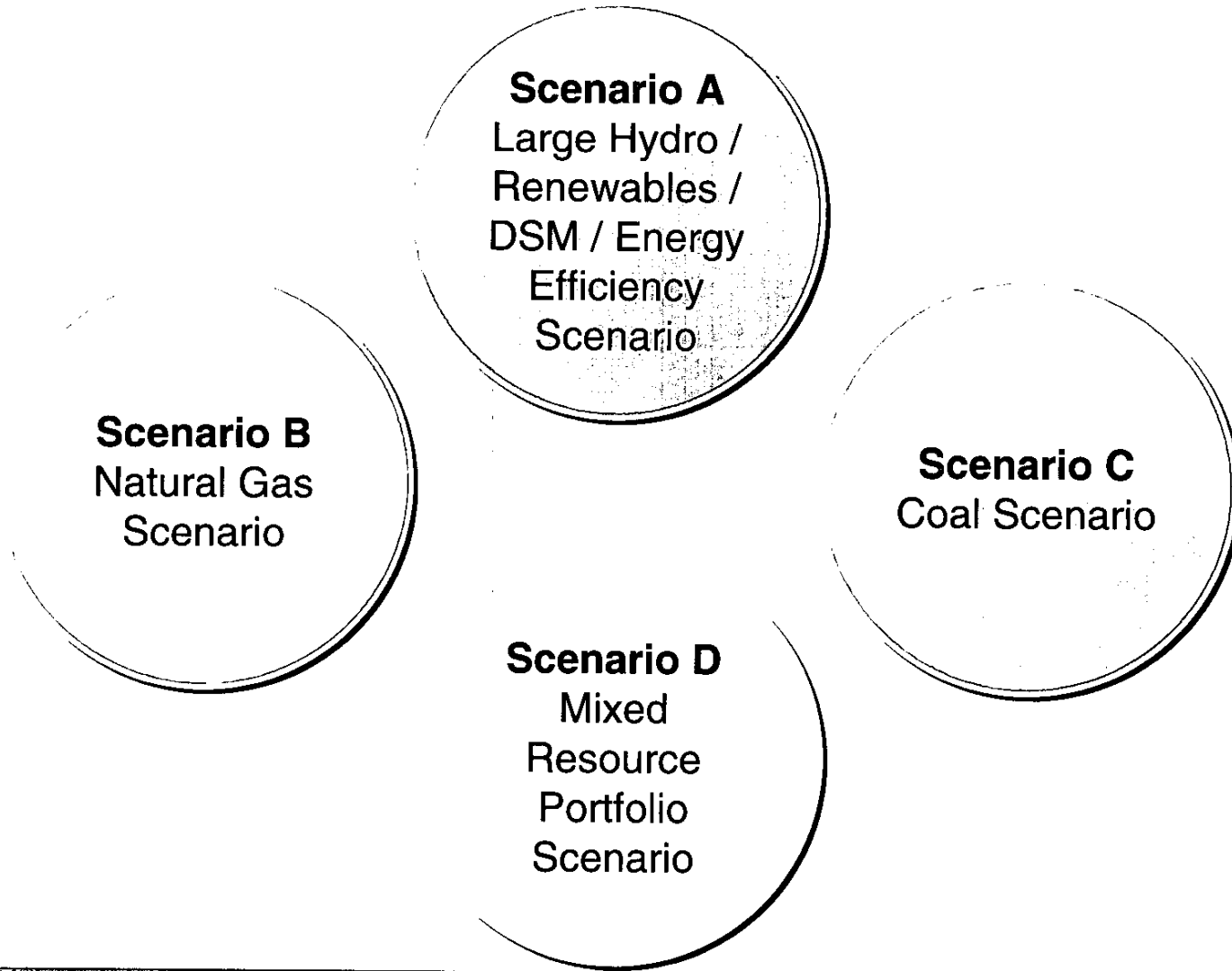
Project Overview - Definitions

- **Coordinated Grid Operations** – relates to the coordinated operations of the transmission grid to ensure the reliability of electric service throughout the region.
- **Economic Dispatch** – involves the operation of generation facilities to produce energy at the lowest cost to reliably serve consumers, recognizing any operational limits of generation and transmission facilities (Regional View)
- **Regional Integrated Resource Planning** – a planning process for electric utilities that evaluates many different generation and transmission supply-side and demand-side options for meeting future electricity demands and selects the optimal mix of resources that minimizes the cost of electricity supply while meeting reliability needs and other objectives.
- **Joint Project Development** – involves the development of future generation and transmission projects by multiple parties for the joint benefit of all participants.

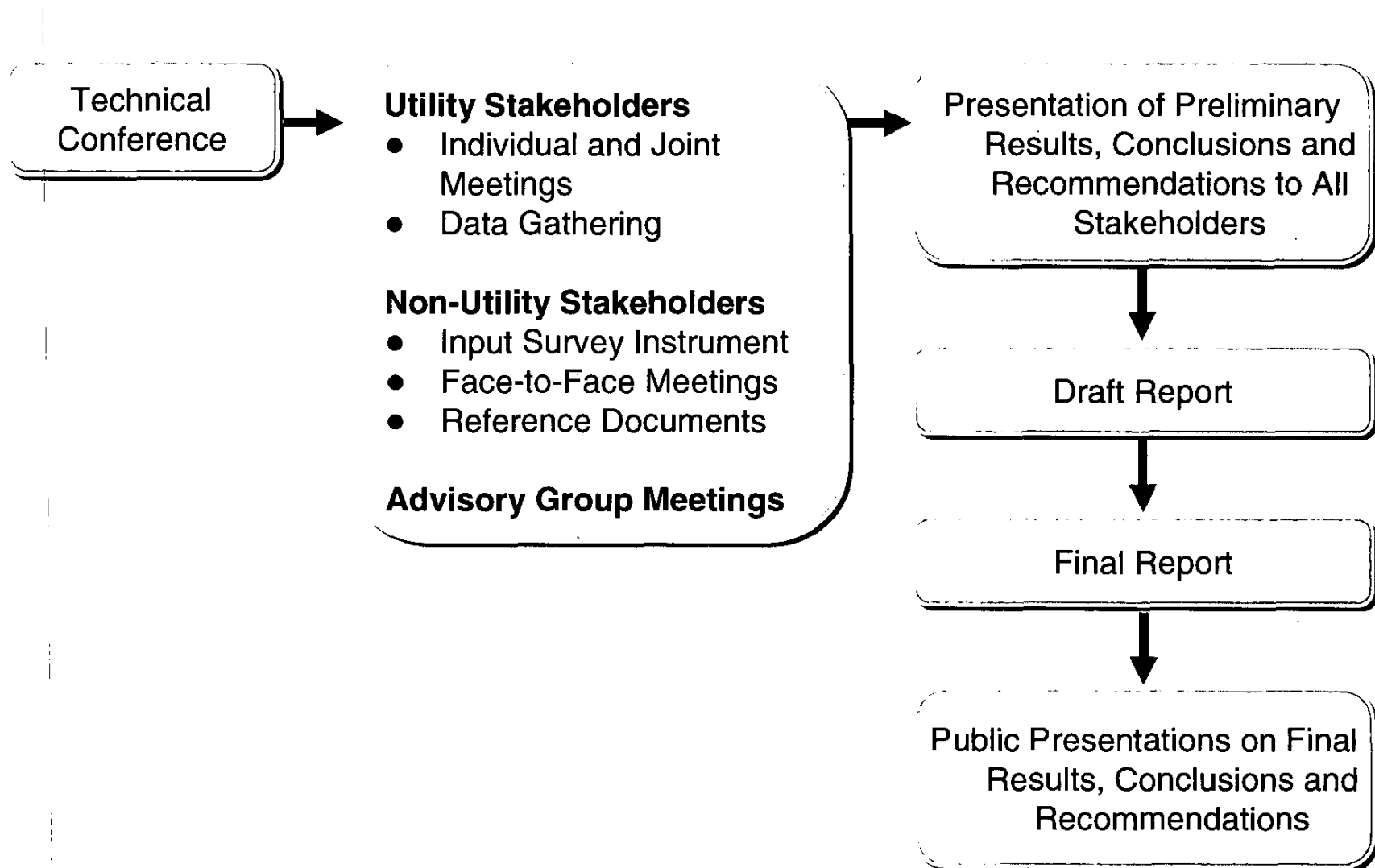
Summary of Organizational Paths



Summary of Evaluation Scenarios



Stakeholder Involvement Process





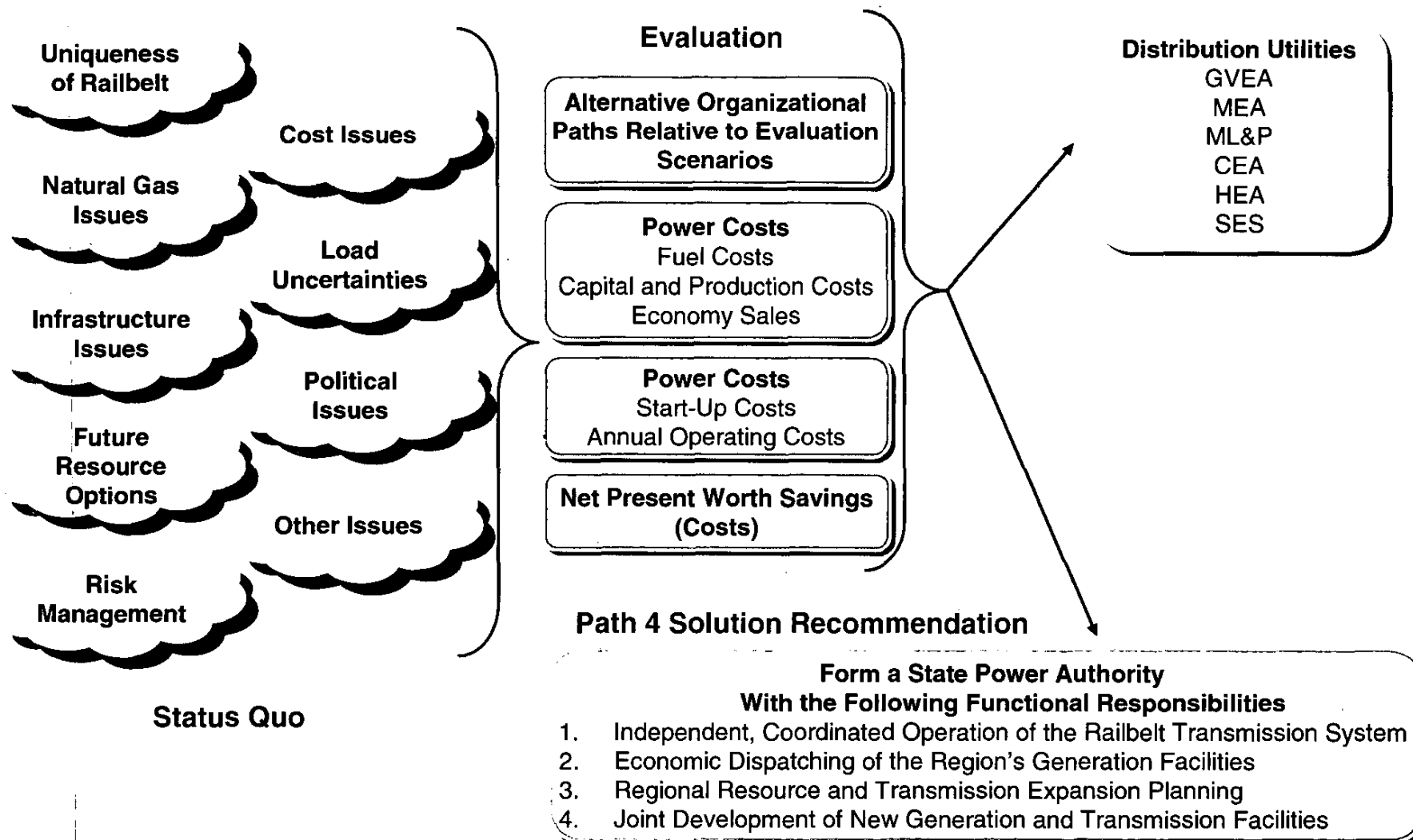
Results – Average Net Savings (\$'000)

Scenario	Path 2 Independent Operation	Path 3 Independent Operation / Economic Dispatch	Path 4 Independent Operation / Economic Dispatch / Resource Planning / Project Development	Path 5 Power Pool	Relative Path 4 Results	
					% Savings	Impact on Typical Monthly Residential Bill
Tax-Exempt Debt						
A – Hydro / Renewables / DSM	(\$1,272)	\$8,229	\$42,683	\$46,097	10.9%	\$11.50
B – Natural Gas	(\$1,272)	\$7,199	\$12,795	\$16,209	4.1%	\$4.30
C – Coal	(\$1,272)	\$10,645	\$37,177	\$40,591	10.8%	\$11.30
D – Mixed	(\$1,272)	\$8,804	\$34,195	\$37,608	9.4%	\$9.90
Taxable Debt						
A – Hydro / Renewables / DSM			\$28,166		7.9%	\$8.30
B – Natural Gas			\$10,452		3.6%	\$3.70
C – Coal			\$30,872		10.1%	\$10.60
D – Mixed			\$25,114		7.5%	\$7.90

Path 5 considered as transition approach and not feasible for long-term solution.



Recommended Organizational Structure





Region's Need to Finance the Future

Scenario	Required Capital Investment Over Next 30 Years – Path 4 (\$000'000)
A – Hydro/Renewables /DSM	\$8,070
B – Natural Gas	\$2,475
C – Coal	\$3,769
D – Mixed	\$5,840

Combined Railbelt Utility Financial Information – 2007 (\$000,000)

- Total Net Electric Plant \$1,475
- Total Revenues \$729
- Total Long-Term Obligations \$1,081

Implementation Steps

- Make Decision Whether to Form Regional Entity and Finalize Functional Responsibilities
- Finalize Legal Form for Regional Entity
- Establish Transition Management Team to Oversee Implementation (Including State Representative)
- Adopt Required Legislative/Regulatory Actions
- Complete Formation of New Entity
- Develop Initial Regional Integrated Resource Plan and Transmission Expansion Plan

Alaska Legislature
House Special Committee on Energy



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February 11, 2010

The Honorable Sean Parnell
Governor of Alaska
Alaska State Capitol Building
Third Floor
Juneau, Alaska 99801

Dear Governor Parnell,

We want to thank you and your staff for all the hard work that's been done on House Bill 182 over the past ten months. The two of us look forward to reviewing the revised draft legislation when it becomes available.

Although we have not seen the draft yet, we understand it will contain language excluding GRETC projects from RCA economic rate regulation.

If it does contain this provision, we want your assurance that you actually support this requirement in the committee substitute. We would appreciate this acknowledgement in writing at your earlier convenience.

We look forward to your response. In the meantime please contact us at any time if you or your staff would like to discuss the legislation in more detail.

Regards,

Handwritten signature of Bryce Edgmon.

Rep. Bryce Edgmon

Handwritten signature of Charisse Millett.

Rep. Charisse Millett

Jeff Turner

From: Gallagher, Gerald L (GOV) [gerald.gallagher@alaska.gov]
Sent: Tuesday, March 16, 2010 9:58 AM
To: Jeff Turner
Cc: Balash, Joseph R (DNR); Nizich, Michael A (GOV)
Subject: RE: GRETC bill

Jeff – To follow up on our phone conversation:

1. The Governor is awaiting testimony from the utilities and others on the proposed CS to finalize his position on RCA jurisdiction. Some form of consumer protection is appropriate and the 5 year sunset is one way to achieve this. We expect the utilities to find this acceptable and we hope to hear of their support during the Energy Committee hearing for this provision.
2. Joe Balash remains the point person on GRETC for both testimony and questions. He will testify on the bill this week in both House and Senate Committees.
3. There is not a revised transmittal letter. Since this is a suggested Committee Substitute, rather than an new introduction by the Governor, a transmittal letter is not necessary. We did, however, provide a sectional analysis which explains the bill in detail.

Thanks. Call me at 465-4021 if you have questions.

Jerry Gallagher
Legislative and Communications Director
Office of Governor Sean Parnell

50 West 7th Ave, Suite 1700
Anchorage, Alaska 99501
PHONE: 907.269.7450

gerald.gallagher@alaska.gov
www.gov.state.ak.us

From: Jeff Turner [mailto:Jeff_Turner@legis.state.ak.us]
Sent: Tuesday, March 16, 2010 9:21 AM
To: Gallagher, Gerald L (GOV)
Subject: GRETC bill

Jerry,

Joe Balash told me you were the person to contact for some additional information about the GRETC bill (HB 182).

- 1) Last month, Charisse and Rep. Edgmon sent Governor Parnell a letter asking him to clarify his position on RCA oversight. Do you know when the governor will provide them with his written response?
- 2) Who will be presenting the bill to the committee on Thursday?
- 3) Will there be a revised transmittal letter?

Thanks,

Jeff Turner
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Alaska Legislature
House Special Committee on Energy



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April 7, 2010

Chairman Kurt Olson
House Labor & Commerce Committee
Room 24
State Capitol Building
Juneau, AK 99801

Representative Olson,

Today the House Special Committee on Energy moved out House Bill 182. The legislation creates the Greater Railbelt Energy and Transmission Corporation (GRETC). In its current form the bill limits seats on the board of directors to non-profit electric utilities within the railbelt region of the state.


Doyon Utilities operates power plants on several military bases located within the railbelt region and has expressed an interest in becoming a full member of GRETC. Representatives with Doyon offered an amendment that would make it eligible for full membership in the organization. It also addresses interconnection issues.

Some committee members had doubts about taking a generation and transmission corporation designed for non-profit utilities and mixing in for-profit utilities.

The committee agreed that the issue calls for further research and discussion. We respectfully request that the House Labor & Commerce Committee study this issue when HB 182 is brought before your committee.

We have included a copy of the amendment with this letter. Please contact our offices if you need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Bryce Edgmon". The signature is written in a cursive style with a large initial "B".

Rep. Bryce Edgmon

A handwritten signature in black ink that reads "Charisse Millett". The signature is written in a cursive style with a large initial "C".

Rep. Charisse Millett

