ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2580 HLC HB 475

(c) The president or vice president of each cooperative shall make and annex to the articles an affidavit stating that the provisions of this section regarding the articles were complied with by the cooperative. (§ 18(2) ch 93 SLA 1959)

Sec. 10.25.260. Consolidation. Two or more cooperatives, hereinafter designated "consolidating cooperative" may consolidate into a new cooperative, hereinafter designated the "new cooperative," by complying with the following requirements.

(1) The proposition for the consolidation into the new cooperative and proposed articles of consolidation shall be submitted to a meeting of the members of each consolidating cooperative. The notice of the meeting shall have attached to it a copy of the proposed articles of consolidation.

(2) If the proposed consolidation and the proposed articles of consolidation, with any amendments, are approved by the affirmative vote of not less than two-thirds of those members of each consolidating cooperative voting on them, articles of consolidation in the form approved shall be executed and acknowledged on behalf of each consolidating cooperative by its president or vice president and its seal shall be affixed and attested by its secretary. (§ 17(1) (2) ch 93 SLA 1959)

Sec. 10.25.270. Contents of articles of consolidation. (a) The articles of consolidation shall recite that they are executed pursuant to this chapter and shall state

(1) the name of each consolidating cooperative and the address of its principal office;

(2) the name of the new cooperative and the address of its principal office;

(3) a statement that each consolidating cooperative agrees to the consolidation;

(4) the names and addresses of the directors of the new cooperative;

(5) the terms and conditions of the consolidation and the manner of carrying it into effect, including the manner in which members of the consolidating cooperatives may or shall become members of the new cooperative.

(b) The articles of consolidation may contain provisions not inconsistent with this chapter which are considered necessary or advisable for the conduct of the business of the new cooperative.

(c) The president or vice president of each consolidating cooperative executing the articles of consolidation shall make and annex to the articles an affidavit stating that the provisions of this section regarding the articles were complied with by the cooperative. (§ 17(2) ch 93 SLA 1959)

Sec. 10.25.280. Effect of consolidation or merger. (a) In the case of a consolidation the existence of the consolidating cooperatives ceases and the articles of consolidation are the articles of incorporation of the new cooperative. In the case of a merger the separate existence of the merging cooperatives ceases and the articles of incorporation of the surviving cooperative are amended to the extent that changes are provided for in the articles of merger.

(b) The rights, privileges, immunities and franchises, and all real and personal property including, without limitation, applications for membership, all debts due on whatever account and all other choses in action, of the consolidating or merging cooperatives are transferred to and vested in the new consolidated or surviving cooperative without further act or deed.

(c) The new consolidated or surviving cooperative is responsible and liable for the liabilities and obligations of each of the consolidating or merging cooperatives and a claim existing or action or proceeding pending by or against the consolidating or merging cooperatives may be prosecuted as if the consolidation or merger had not taken place, but the new consolidated or surviving cooperative may be substituted in its place.

(d) Neither the rights of creditors nor liens upon the property of the cooperatives is impaired by the consolidation or merger. (§ 19 ch 93 SLA 1959)

Sec. 10.25.290. Conversion of existing corporation. A corporation organized under the laws of the state and supplying or having the corporate power to supply electric energy, or to furnish telephone service, may be converted into a cooperative by complying with the following requirements and thereupon becomes subject to this chapter as if originally organized under this chapter.

(1) The proposition for the conversion of the corporation into a cooperative and proposed articles of conversion shall be submitted to a meeting of the members or stockholders of the corporation, or in case of a corporation having no members or stockholders, to a meeting of the incorporators of the corporation. The notice of the meeting shall have attached to it a copy of the proposed articles of conversion.

(2) If the proposition for the conversion of the corporation into a cooperative and the proposed articles of conversion, with any amendments, are approved by the affirmative vote of not less than two-thirds of those members of the corporation voting on them or, if the corporation is a stock corporation, by the affirmative vote of the holders of not less than two-thirds of those shares of the capital stock of the corporation represented at the meeting and voting on them, or, in the case of a corporation having no

members and no shares of its capital stock outstanding, by the affirmative vote of not less than two-thirds of its incorporators, articles of conversion in the form approved shall be executed and acknowledged on behalf of the corporation by its president or vice president and its seal shall be affixed and attested by its secretary. (§ 20(1) (2) ch 93 SLA 1959)

Sec. 10.25.300. Contents of articles of conversion. (a) The articles of conversion shall recite that they are executed under this chapter and shall state

(1) the name of the corporation and the address of its principal office prior to its conversion into a cooperative;

(2) the statute or statutes under which it was organized;

(3) a statement that the corporation elects to become a cooperative, nonprofit, membership corporation subject to this chapter;

(4) its name as a cooperative;

(5) the address of the principal office of the cooperative;

(6) the names and addresses of the directors of the cooperative;

(7) the manner in which members, stockholders or incorporators of the corporation are to become members of the cooperative.

(b) The articles of conversion may contain provisions not inconsistent with this chapter considered necessary or advisable for the conduct of the business of the cooperative.

(c) The president or vice president executing the articles of conversion shall make and annex to it an affidavit stating that the provisions of this section were complied with regarding the articles. The articles of conversion are the articles of incorporation of the cooperative. (§ 20(2) ch 93 SLA 1959)

Article 3. Dissolution.

Sec. 10.25.310. Dissolution of cooperative which has not commenced business. A cooperative which has not commenced business may be dissolved by delivering articles of dissolution to the commissioner. A majority of the incorporaters shall execute and acknowledge articles of dissolution on behalf of the cooperative. The articles shall state

(1) the name of the cooperative;

(2) the address of its principal office;

(3) that the cooperative has not commenced business;

its debts, obligations and liabilities, other than those to patrons arising by reason of their patronage, the directors shall distribute remaining sums, first, to patrons for the pro rata return of all amounts standing to their credit by reason of their patronage, and second, to members for the pro rata repayment of membership fees. Sums then remaining shall be distributed among its members and former members in proportion to their patronage, except to the extent participation in the distribution has been legally waived. The board of directors sh thereupon authorize the execution of articles of dissolution. The president or vice president shall execute and acknowledge articles of dissolution on behalf of the cooperative and the secretary shall affix and attest to the seal. (§ 21(2) ch 93 SLA 1959)

Sec. 10.25.360. Contents of articles of dissolution. (a) The articles of dissolution shall recite that they are executed under this chapter and shall state

(1) the name of the cooperative;

(2) the address of its principal office;

(3) the date on which the certificate of election to dissolve was filed by the commissioner;

(4) that there are no actions or suits against the cooperative;

(5) that all debts, obligations and liabilities of the cooperative have been paid and discharged or that adequate provisions has been made for them;

(6) that the provisions of §§ 320—360 of this chapter have been complied with.

(b) The president or vice president executing the articles of dissolution shall make and annex to the articles an affidavit stating that the statements contained in the articles are true. (§ 21(2) ch 93 SLA 1959)

Article 4. Miscellaneous Provisions.

Sec. 10.25.370. Filing of articles. Articles of incorporation, amendment, consolidation, merger, conversion, or dissolution, when executed and acknowledged and accompanied by the affidavits required by this chapter, shall be presented to the commissioner for filing. If the commissioner finds that the articles presented conform to the requirements of this chapter, he shall, upon the payment of the fees provided in this chapter, file the articles in the records of his office. Upon filing, the incorporation, amendment, consolidation, merger, conversion, or dissolution provided for is in effect. This section also applies to certificates of election to dissolve and affidavits executed under §§ 320—360 of this chapter. (§ 22 ch 93 SLA 1959)

Sec. 10.25.380. Nonprofit operation. A cooperative shall be operated on a nonprofit basis for the mutual benefit of its members and patrons. The bylaws of a cooperative or its contracts with members and patrons shall contain such provisions relating to the disposition of revenues and receipts as may be necessary and appropriate to establish and maintain its nonprofit and cooperative character. (§ 23 ch 93 SLA 1959)

Sec. 10.25.390. Disposition of property to secure indebtedness. The board of directors of a cooperative may, without authorization by the members of the cooperative, authorize the execution and delivery of mortgages or deeds of trust of, or the pledging or encumbering of, the property, assets, rights, privileges, licenses, franchises and permits of the cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues therefrom, upon the terms and conditions the board of directors determines, to secure an indebtedness of the cooperative to the United States of America or an agency or instrumentality of it. (§ 24(1) ch 93 SLA 1959)

Sec. 10.25.400. Limitations on disposition of all the property. A cooperative may not otherwise sell, mortgage, lease or dispose of or encumber all or a substantial portion of its property unless the transaction is authorized by the affirmative vote of not less than a majority of all the members of the cooperative. However, notwithstanding a provision of this chapter or any other provision of law, the board of directors may, upon the authorization of a majority of those members of the cooperative present at a meeting of the members, sell, lease or otherwise dispose of all or a substantial portion of its property to another cooperative or to the holder

of an evidence of indebtedness issued to the United States of America or an agency or instrumentality of it. (§ 24(2) ch 93 SLA 1959)

Sec. 10.25.410. Nonliability of members for debts of cooperative. No member is liable or responsible for any debts of the cooperative and the property of the members is not subject to execution therefor. (§ 25 ch 93 SLA 1959)

Sec. 10.25.420. Effect of recordation of mortgages. A mortgage, deed of trust, or other instrument executed by a cooperative, which affects real and personal property and which is recorded in the real property records in the city, borough or other recording districts in which the property is located or is to be located has the same effect as if recorded, filed or indexed as provided by law in the proper office in the city, borough or other recording district as a mortgage of personal property. All after-acquired property of the cooperative described or referred to as being mortgaged or pledged in a mortgage, deed of trust or other instrument is subject to the lien thereof immediately upon the acquisition of such property by the cooperative, whether or not the property was in existence at the time of the execution of the mortgage, deed of trust or other instrument. Recordation of such mortgage, deed of trust or other instrument constitutes notice and has the same effect with respect to after-acquired property as it has under the laws relating to recordation of property owned by the cooperative at the time of the execution of the mortgage, deed of trust or other instrument and described in it or referred to as being mortgaged or pledged thereby. The lien of such mortgage, deed of trust or other instrument upon personal property after its recordation continues for the period of time specified in the instrument without refiling or the filing of a renewal certificate, affidavit or other supplemental information required by the laws relating to the renewal, maintenance or extension of liens upon personal property. (§ 26 ch 93 SLA 1959)

Sec. 10.25.430. Validity of mortgage under Rural Electrification Act of 1936. A mortgage made by a cooperative organized under this chapter to the United States of America, or an agency or instrumentality of it, to secure indebtedness incurred under the Rural Electrification Act of 1936, as amended, is not void as against creditors of the mortgagor and subsequent purchasers and encumbrancers of the property in good faith for value because the mortgage is not accompanied by an affidavit of the parties to it, or an affidavit of the agent or attorney in fact of a party to it, that the mortgage is made in good faith to secure the amount named, and without a design to hinder, delay or defraud creditors. A mortgage made by a cooperative organized under this chapter to the

United States of America, or an agency or instrumentality of it to secure indebtedness incurred under the Rural Electrification Act of 1936, as amended, need not set forth the date upon which the indebtedness secured by it becomes due. (§ 26 ch 93 SLA 1959)

Sec. 10.25.440. Construction standards. Construction of electric lines and facilities, or telephone lines and facilities, by a cooperative shall, as a minimum requirement, comply with the standards of the National Electrical Safety Code in effect at the time of construction. (§ 27 ch 93 SLA 1959)

Sec. 10.25.450. Directors, officers or members as notaries. No person authorized to take acknowledgments under the laws of this state is disqualified from taking acknowledgments of instruments to which a cooperative is a party because he is an officer, director or member of the cooperative. (§ 28 ch 93 SLA 1959)

Sec. 10.25.460. Registered office and registered agent. Each cooperative shall have and continuously maintain in the state

(1) a registered office which may be, but need not be, the same as the location of the principal office;

(2) a registered agent who is an individual resident in the state and whose business office is identical with the registered office. (§ 29 ch 93 SLA 1959)

Sec. 10.25.470. Change of registered office or registered agent. A cooperative may change its registered office or change its registered agent, or both, upon filing in the office of the commissioner a statement setting forth

(1) the name of the cooperative;

(2) the address of its registered office;

(3) if the address of its registered office is changed, the address of the new registered office;

(4) the name of the registered agent;

(5) if its registered agent is changed, the name of its new registered agent;

(6) that the address of its registered office and the address of the business office and its registered agent, as changed, will be identical;

(7) that such change was authorized by resolution adopted by its board of directors. (§ 30 ch 93 SLA 1959)

Sec. 10.25.480. Execution and filing of statement. The statement of change of office or agent shall be executed by the cooperative by its president or vice president, verified by him, and directed to the commissioner. If the commissioner finds that the statement conforms to this chapter, he shall file it in his office. Upon the filing, the change of address of the registered office and the appoint-

ment of the registered agent, or both, as the case may be, is effective. (§ 30 ch 93 SLA 1959)

Sec. 10.25.490. Resignation of registered agent. A registered agent of a cooperative may resign by filing a written notice of resignation, executed in duplicate, with the commissioner. The commissioner shall immediately mail a copy of it to the cooperative at its registered office. The appointment of the agent terminates 30 days after receipt of the notice by the commissioner. (§ 30 ch 93 SLA 1959)

Sec. 10.25.500. Service of process on cooperative. (a) The registered agent of a cooperative is an agent of the cooperative upon whom process, notice or demand required or permitted by law to be served upon the cooperative may be served.

(b) When a cooperative fails to appoint or maintain a registered agent in the state, or when its registered agent cannot with reasonable diligence be found at the registered office, then the commissioner is an agent of the cooperative upon whom process, notice or demand may be served. (§ 31 ch 93 SLA 1959)

Sec. 10.25.510. Manner of service on commissioner. (a) Service on the commissioner is made by delivering to and leaving with him, or with a clerk having charge of the corporation department of his office, duplicate copies of the process, notice or demand. The commissioner shall immediately have one copy forwarded by registered mail, addressed to the cooperative at its registered office. Service on the commissioner is returnable in not less than 30 days.

(b) The commissioner shall keep a record of each process, notice and demand served upon him under this section, and shall record the time of service and his action with reference to it. (§ 31 ch 93 SLA 1959)

Sec. 10.25.520. Other means of service not affected. Nothing in §§ 500 and 510 of this chapter limits or affects the right to serve process, notice or demand required or permitted by law to be served on a cooperative in any other manner permitted by law. (§ 31 ch 93 SLA 1959)

Sec. 10.25.530. Fees. The commissioner shall charge and collect for

(1) filing articles of incorporation, $10;
(2) filing articles of amendment, $5;
(3) filing articles of consolidation or merger, $5;
(4) filing articles of conversion, $10;
(5) filing certificate of election to dissolve, $1;
(6) filing articles of dissolution, $5;
(7) filing certificate of change of principal office and designa-

tion or change of registered office and registered agent, $1. (§ 32 ch 93 SLA 1959)

Sec. 10.25.540. Taxation of cooperatives. Cooperatives under this chapter shall apply for a business license and pay the initial license fee as provided by the Alaska Business License Act (AS 43.70), as amended. Before March 1, 1961, and before March 1 of each year thereafter, each cooperative shall pay to the state, instead of state and local ad valorem, income and excise taxes which may be assessed or levied on or after January 1, 1960, a percentage of its gross revenue earned during the preceding calendar year. (§ 33 ch 93 SLA 1959; am § 1 ch 66 SLA 1960)

Sec. 10.25.550. Amount of gross revenue tax. The gross revenue tax shall be computed as follows:

(1) one per cent of gross revenue for cooperatives which have furnished electric energy and power, or telephone service, to consumers for less than five years as of December 31 of the preceding calendar year;

(2) two per cent of gross revenue for cooperatives which have furnished electric energy and power, or telephone service, to consumers for five years or longer as of December 31 of the preceding calendar year. (§ 33 ch 93 SLA 1959; am § 1 ch 66 SLA 1960)

Sec. 10.25.560. Manner of computing gross revenue. For the purpose of computing gross revenue, an electric cooperative shall include only that revenue which has been derived from electric energy which it distributes to its consumers. It shall not include revenue derived from the sale or transmission of electric energy and power to, or on behalf of, another distributor. Gross revenue of a telephone cooperative includes all revenues earned from local and toll services. (§ 33 ch 93 SLA 1959)

Sec. 10.25.570. Refund of gross revenue tax to local taxing authorities. The proceeds of the gross revenue tax, less the amount expended by the state in its collection, shall be refunded to the local taxing authorities by action of the legislature, in the proportion that the revenue was earned within the geographical areas of the taxing authorities. However, taxes collected on gross revenue earned outside a local taxing authority shall be retained by the state and deposited into its general fund. (§ 33 ch 93 SLA 1959)

Sec. 10.25.580. Inventory and fixtures subject to taxation. The inventory and fixtures of a business operated by a cooperative incidental to the furnishing of central station electric service, including, without limitation, appliance stores or departments, is not exempt from ad valorem taxes. The inventory and accounts of these businesses shall be separately maintained and taxes shall be paid upon them as provided by law. (§ 33 ch 93 SLA 1959)

Sec. 10.25.590. Connection and interconnection of facilities. A telephone cooperative organized or doing business under this chapter, hereafter designated as applicant, may require a person furnishing telephone service to the public in the state, hereafter designated as company, to interconnect its lines, facilities or systems with, or otherwise make available the lines, facilities or systems to, the applicant's telephone lines, facilities or systems, in order to provide a continuous line of communication for the applicant's subscribers. If the company and the applicant are unable to agree upon the terms and conditions of interconnection, including compensation, the superior court shall, upon petition of the parties, or either of them, establish the terms and conditions. The terms and conditions shall be reasonable and nondiscriminatory. (§ 34 ch 93 SLA 1959)

Sec. 10.25.690. Correction of defectively organized cooperatives. If a cooperative has filed defective articles of incorporation, or has failed to do all things necessary to perfect its corporate organization, it may file corrected articles of incorporation, or amend the original articles, and do and perform all acts and things necessary for the correction of the defects. The action so taken is valid and binding upon all persons concerned. The capacity of the cooperative to file corrected articles of incorporation or amendments to the original articles, or to do and perform all acts and things necessary, may not be questioned. (§ 37 ch 93 SLA 1959)

Article 5. General Provisions.

Sec. 10.25.610. Purpose. Cooperative, nonprofit, membership corporations may be organized under this chapter for the purpose of supplying electric energy or telephone service and promoting and extending the use of these services. (§ 2 ch 93 SLA 1959)

Sec. 10.25.620. Chapter extended to existing cooperatives. This chapter applies to all nonprofit cooperatives organized under any other law of the state for the purpose of supplying electric energy and power, or telephone service, to its members, or for the purpose of promoting and extending the use of electric energy and power, or telephone service. These cooperatives are subject to this chapter as if originally organized under it. (§ 36 ch 93 SLA 1959)

Sec. 10.25.630. Construction of chapter. This chapter is complete in itself and is controlling. The provisions of any other law of the state relating to the organization of a corporation, except as pro-

vided in this chapter, do not apply to a cooperative organized under this chapter. The enumeration of an object, purpose, power, manner, method or thing does not exclude like or similar objects, purposes, powers, manners, methods or things. (§ 35 ch 93 SLA 1959)

Sec. 10.25.640. Definitions. As used in this chapter

(1) "commissioner" means the commissioner of commerce;

(2) "cooperative" means a corporation organized under this chapter or which becomes subject to this chapter in the manner provided in this chapter;

(3) "person" means a natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision, or an agency of the state or political subdivision, or a body politic;

(4) "telephone service" means communication service where voice communication through the use of electricity is the primary intended use, and includes all telephone lines, facilities or systems used in the rendition of this service. (§ 3 ch 93 SLA 1959; am § 10 ch 64 SLA 1959; am § 2 ch 1 SLA 1961)

Sec. 10.25.650. Short title. This chapter may be cited as the Electric and Telephone Cooperative Act. (§ 1 ch 93 SLA 1959)

Chapter 30. Cemetery Associations.

Sec. 10.30.010. Formation of cemetery association. Five or more persons who are residents of the same recording district may form themselves into a cemetery association, and elect at least three of their members to serve as trustees, and one member as clerk. The trustees and the clerk hold office at the pleasure of the association. (§ 36-5-1 ACLA 1949)

Am. Jur. and C.J.S. references.—
10 Am. Jur., Cemeteries, §§ 5, 10, 19.
14 C.J.S. Cemeteries §§ 5 to 14.

Sec. 10.30.020. Records. The clerk shall keep a record of the proceedings of the meetings of the association, certify to and file one copy of the record together with the name of the association

Tom Staudenmaier
Director of the Board
Matanuska Electric Association
P. O. Box 8890
Anchorage, Alaska 99508

IMMEDIATE NEWS RELEASE

November 18, 1982

The Honorable Senator William Proxmire
United States Senate
Washington, D. C. 20510

Dear Senator Proxmire:

I speak for a group of Matanuska Electric Association, Chugach Electric Association and Homer Electric Association members, requesting your immediate assistance in plugging a rat hole, at least temporarily, which tens of millions of Federal dollars have already slid down.

The Chugach Electric Association, a Rural Electric Association electric utility located in Anchorage, Alaska requested, as of November 12, 1982 yet another Federal loan for $37.7 million dollars to cover massive cost overruns. One year ago, Chugach Electric received $41 million dollars from the Rural Electric Association. That loan too was for the purpose of paying for cost overruns on the same project that was started in 1976 and was to be completed in 1979. Chugach Electric Association, Matanuska Electric Association and Homer Electric Association are in deep financial trouble. The reason is the high salaries, mismanagement and duplicity in their work. The former General Manager of Chugach Electric, Bud Schultz, was paid $145,000 (plus a retirement fee of $400,000 in cash) for wages, plus 32% fringe benefits which totals $191,400 per year. The Manager of Matanuska Electric Association, Jim Palin, draws $73,000 plus 40% fringe benefits, which totals $102,000 per year. Homer Electric Association is just as bad. Chugach Electric for the most part generates the bulk of the electric power in southcentral Alaska. Matanuska Electric Association buys 90% of its power needs from Chugach Electric. Ten percent is bought from the Eklutna Power Authority. Homer Electric Co-op buys 100% of their power needs from Chugach Electric Association.

There are less than 100,000 monthly billing members buying electric power from Chugach Electric, Matanuska Electric, Homer Electric and the Municipal Light & Power Co. Between the four utilities in southcentral Alaska, there are approximately 525 bureaucrats, plus four complete management organizations where one could do the job.

Chugach Electric Association has been involved in a major management scandal, touching on salaries, benefits and contracts written under questionable authority. Chugach reports a 100% cost overrun on a power development project at the Beluga Field near Anchorage. As customers we are forced to pay these outrageous costs.

Senator Proxmire, I'm asking for your help in the following areas:

1. Stop the REA from any further action on Chugach Electric Associations $37.7 million dollar loan for cost overruns until there is a complete audit.

2. Request a complete audit of REA by the GAO, to determine the following:

a. Propriety of the entire Beluga Project including salaries, contracts let on competitive bid, cable laying operations and vessels hired to do the work.

b. Was the 1977 Foreign Corrupt Business Practices Act violated in the purchase of generators and the cable laying operations from a foreign country?

c. Were contracts let under Federal guide lines for competitive bid? Were contractors who were involved in the construction projects for Chugach Electric owned by any Chugach employees?

d. What justifies the 100% cost overruns?

e. What savings would there be if three REA Co-ops, along with the Municipal Light and Power were merged into one management organization with three divisions.

a) division of generation, b) division of transmission and distribution, and, c) division of administration.

f. How many times have major line items been shifted in Chugach Electric, Homer Electric and Matanuska Electric? And, do these shifts indicate budget fraud? Example: Matanuska Electric Association. I, as an elected Board Member refused to sign a waiver for borrowing $1,646,000 this past August 1982. James F. Palin, Manager of Matanuska Electric Association stated at the time this money was being borrowed for a new headquarters building in Palmer, Alaska. The Board now has the intention of using this money for other projects besides building this unnecessary building. Is this obtaining Federal money under false pretenses?

g. Attorney Roger Kemppel represents the three above mentioned utilities at the same time. Is this a conflict of interest?

My concern is to stop the flow of millions of dollars of Federal funds which flows through the Chugach Electric Association, which we the customer members must eventually pay. There are many people who would be more than happy to talk to GAO investigators in Alaska in order to get to the bottom of this case.

In closing I would like to say that if there are any violations of Federal laws then that information should be turned over to the Federal Grand Jury for prosecution of the individuals who are involved in this scandal.

An early reply would be deeply appreciated.

Sincerely,

Tom Staudenmaier, Director
of the Board, Matanuska
Electric Association

TS/ijb

ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2322

December 13, 1982

The Honorable Senator Ted Stevens
United States Senate
Washington, D. C. 20510

Dear Senator Stevens:

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Chugach Electric Association has been involved in a major management scandal, touching on salaries, benefits and contracts written under questionable authority. Chugach reports a 100% cost overrun on a power development project at the Beluga Field near Anchorage. As customers we are forced to pay these outrageous costs.

Senator Stevens, I'm asking for your help in the following areas:

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a. Propriety of the entire Beluga Project including salaries, contracts let on competitive bid, cable laying operations and vessels hired to do the work.

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c. Were contracts let under Federal guide lines for competitive bid? Were contractors who were involved in the construction projects for Chugach Electric owned by any Chugach employees?

Seven to ten million dollars in contracts were given out without competitive bid by the manager of Chugach Electric, Bud Schultz.

d. What justifies the 100% cost overruns?

e. What savings would there be if three REA Co-ops, along with the Municipal Light & Power were merged into one management organization with three divisions.

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was being borrowed for a new headquarters building in Palmer, Alaska. The Board now has the intention of using this money for other projects besides building this unnecessary building. Is this obtaining Federal money under false pretenses?

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Sincerely,

Tom Staudenmaier

Tom Staudenmaier, Director
of the Board, Matanuska
Electric Association

TS/ijb

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

January 17, 1983

Mr. Tom Staudenmaier
Director of the Board
Matanuska Electric Association
P.O. Box 1603
Eagle River, Alaska 99577

Dear Mr. Staudenmaier:

This is in further reference to our conversation with Senator Stevens' Administrative Assistant, Dennis Fradley, about your visit to Washington and your interest in discussing with a member of the staff your concerns about the use of Federal funds by the Chugach Electric Association, the Homer Electric Association and the Matanuska Electric Association. This is also to acknowledge receipt of your letter about this situation.

As Dennis advised you, Senator Stevens has been out of town during the Congressional recess, so I was requested by Dennis to meet with you when you came to Washington. I understand from Rick Agnew of Congressman Young's office that you did discuss with him your belief in the need for a GAO investigation of the financial practices of these electric associations. I was prepared to meet with you last Monday, January 10th, and I do regret that we did not get together. However, I will make sure that your letter about this matter is brought to Senator Stevens' attention when he returns to Washington.

Sincerely,

Susan L. Arnold

Susan L. Arnold
Staff Assistant to
TED STEVENS

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, D.C. 20510

February 2, 1983

Mr. Tom Staudenmaier
Post Office Box 1603
Eagle River, Alaska 99577

Dear Mr. Staudenmaier:

This is to follow up on the brief conversation you had with Joseph Darnell on my Washington, D.C. staff about a possible GAO study.

A GAO study of Chugach and the Rural Electrification Administration does not appear to be appropriate. It is my understanding that Chugach Electric Association has recently undergone two separate audits, one by REA and another for the Alaska Public Utilities Commission. If you have concerns about Chugach's management, then they should be directed to the organizations charged with overseeing Chugach.

With best wishes,

Cordially,

TED STEVENS

ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2322

December 30, 1982

The Honorable Senator Frank Murkowski
United States Senate
Washington, D. C. 20510

Dear Senator Murkowski:

I speak for a group of Matanuska Electric Association, Chugach Electric Association and Homer Electric Association members, requesting your immediate assistance in plugging a rat hole, at least temporarily, which tens of millions of Federal dollars have already slid down.

The Chugach Electric Association, a Rural Electric Association electric utility located in Anchorage, Alaska requested, as of November 12, 1982 yet another Federal loan for $37.7 million dollars to cover massive cost overruns. One year ago, Chugach Electric received $41 million dollars from the Rural Electric Association. That loan too was for the purpose of paying for cost overruns on the same project that was started in 1976 and was to be completed in 1979. Chugach Electric Association, Matanuska Electric Association and Homer Electric Association are in deep financial trouble. The reason is the high salaries, mismanagement and duplicity in their work. The former General Manager of Chugach Electric, Bud Schultz, was paid $145,000 (plus a retirement fee of $400,000 in cash) for wages, plus 32% fringe benefits which totals $191,400 per year. The Manager of Matanuska Electric Association, Jim Palin, draws $73,000 plus 40% fringe benefits, which totals $102,000 per year. Homer Electric Association is just as bad. Chugach Electric for the most part generates the bulk of the electric power in southcentral Alaska. Matanuska Electric Association buys 90% of its power needs from Chugach Electric. Ten percent is bought from the Eklutna Power Authority. Homer Electric Co-op buys 100% of their power needs from Chugach Electric Association.

There are less than 100,000 monthly billing members buying electric power from Chugach Electric, Matanuska Electric, Homer Electric and the Municipal Light & Power Co. Between the four utilities in southcentral Alaska, there are approximately 525 bureaucrats, plus four complete management organizations where one could do the job.

Chugach Electric Association has been involved in a major management scandal, touching on salaries, benefits and contracts written under questionable authority. Chugach reports a 100% cost overrun on a power development project at the Beluga Field near Anchorage. As customers we are forced to pay these outrageous costs.

Senator Murkowski, I'm asking for your help in the following areas:

1. Stop the REA from any further action on Chugach Electric Associations $37.7 million dollar loan for cost overruns until there is a complete audit.

2. Request a complete audit of REA by the GAO, to determine the following:

a. Propriety of the entire Beluga Project, including salaries, contracts let on competitive bid, cable laying operations and vessels hired to do the work.

b. Was the 1977 Foreign Corrupt Business Practices Act violated in the purchase of generators and the cable laying operations from a foreign country?

c. Were contracts let under Federal guide lines for competitive bid? Were contractors who were involved in the construction projects for Chugach Electric owned by any Chugach employees?

Seven to ten million dollars in contracts were given out without competitive bid by the Manager of Chugach Electric, Bud Schultz.

d. What justifies the 100% cost overruns?

e. What savings would there be if three REA Co-ops, along with the Municipal Light & Power were merged into one management organization with three divisions?

a) division of generation, b) division of transmission and distribution, and, c) division of administration.

f. How many times have major line items been shifted in Chugach Electric, Homer Electric and Matanuska Electric? And, do these shifts indicate budget fraud? Example: Matanuska Electric Association. I, as an elected Board Member refused to sign a waiver for borrowing $1,646,000 this past August 1982. James F. Palin, Manager of Matanuska Electric Association stated at the time this money

was being borrowed for a new headquarters building in Palmer, Alaska. The Board now has the intention of using this money for other projects besides building this unnecessary building. Is this obtaining Federal money under false pretenses?

g. Attorney Roger Kemppel represents the three above mentioned utilities at the same time. Is this a conflict of interest?

My concern is to stop the flow of millions of dollars of Federal funds which flows through the Chugach Electric Association, which we the customer members must eventually pay. There are many people who would be more than happy to talk to GAO investigators in Alaska in order to get to the bottom of this case.

In closing I would like to say that if there are any violations of Federal laws then that information should be turned over to the Federal Grand Jury for prosecution of the individuals who are involved in this scandal.

An early reply would be deeply appreciated.

Sincerely,

Tom Staudenmaier, Director
of the Board, Matanuska
Electric Association

TS/ijb

FRANK H. MURKOWSKI
ALASKA

COMMITTEE ON ENERGY AND NATURAL RESOURCES
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
COMMITTEE ON VETERANS' AFFAIRS

United States Senate

WASHINGTON, D.C. 20510

WASHINGTON OFFICE:
(202) 224-6665
ANCHORAGE OFFICE:
701 C STREET, BOX 1
(907) 271-3735
JUNEAU OFFICE:
FEDERAL BUILDING, BOX 1647
(907) 586-7463
FAIRBANKS OFFICE:
101 12TH AVENUE, BOX 7
(907) 452-6227

February 1, 1983

Mr. Tom Staudenmaier
P. O. Box 408
Eagle River, Alaska 99577

Dear Mr. Staudenmaier:

Thank you for contacting my office requesting that I initiate a General Accounting Office (GAO) investigation into the activities of Chugach Electric.

In light of the fact that the REA has recently completed a complete audit of Chugach, along with the fact that a private management audit completed at the request of the Alaska Public Utilities Commission has also recently been completed, I do not believe the disruption and expense associated with a GAO investigation is warranted at this time.

I appreciate your contacting my office about this matter.

Sincerely,

Frank H. Murkowski
United States Senator

DON YOUNG
CONGRESSMAN FOR ALL ALASKA

COMMITTEES:
INTERIOR AND INSULAR AFFAIRS
MERCHANT MARINE AND FISHERIES

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE
2331 RAYBURN BUILDING
TELEPHONE 202/225-5765

DISTRICT OFFICES
FEDERAL BUILDING AND
U.S. COURT HOUSE
701 C STREET, BOX 3
ANCHORAGE, ALASKA 99513
TELEPHONE 907/271-5978

BOX 10, 101 12TH AVENUE
FAIRBANKS, ALASKA 99701
TELEPHONE 907/456-6949

February 7, 1983

Mr. Tom Staudenmaier
P.O. Box 1603
Eagle River, AK 99577

Dear Mr. Staudenmaier:

I appreciated being informed of your efforts regarding the proposed merger of Alaskan electrical co-ops and the suggested audits of R.E.A. and Chugach Electric Association.

After reviewing the materials you sent and the investigative work prepared by staff, I have concluded that there is not a justifiable basis at this time to request an audit of R.E.A. by the General Accounting Office. Many of the questions you have raised regarding management practices have been answered by internal audits and audits conducted by R.E.A. and the Alaska Public Utilities Commission. In the case of Chugach Electric Association, changes were recommended and adopted by the Association. Allegations of serious wrong-doing were not substantiated.

I hope that this information is useful to you. Again, I appreciated hearing from you regarding these matters and will keep your concerns in mind. In the meantime, if you have any further comments or questions regarding this matter, please contact me.

Sincerely,

DON YOUNG
Congressman for All Alaska

DY:ra

ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2322

March 30, 1983

Charles A. Bowsher
Comptroller General
U. S. General Accounting Office
Washington, D. C. 20510

Dear Mr. Bowsher:

I speak for a group of Matanuska Electric Association, Chugach Electric Association and Homer Electric Association members, requesting your immediate assistance in plugging a rat hole, at least temporarily, which tens of millions of Federal dollars have already slid down.

The Chugach Electric Association, a Rural Electric Association electric utility located in Anchorage, Alaska requested, as of November 12, 1982 yet another Federal loan for $37.7 million dollars to cover massive cost overruns. One year ago, Chugach Electric received $41 million dollars from the Rural Electric Association. That loan too was for the purpose of paying for cost overruns on the same project that was started in 1976 and was to be completed in 1979. Chugach Electric Association, Matanuska Electric Association and Homer Electric Association are in deep financial trouble. The reason is the high salaries, mismanagement and duplicity in their work. The former General Manager of Chugach Electric, Bud Schultz, was paid $145,000 (plus a retirement fee of $400,000 in cash) for wages, plus 32% fringe benefits which totals $191,400 per year. The Manager of Matanuska Electric Association, Jim Palin, draws $73,000 plus 40% fringe benefits, which totals $102,000 per year. Homer Electric Association is just as bad. Chugach Electric for the most part generates the bulk of the electric power in southcentral Alaska. Matanuska Electric Association buys 90% of its power needs from Chugach Electric. Ten percent is bought from the Eklutna Power Authority. Homer Electric Co-op buys 100% of their power needs from Chugach Electric Association.

There are less than 100,000 monthly billing members buying electric power from Chugach Electric, Matanuska Electric, Homer Electric and the Municipal Light & Power Co. Between the four utilities in southcentral Alaska, there are approximately 525 bureaucrats, plus four complete management organizations where one could do the job.

Chugach Electric Association has been involved in a major management scandal, touching on salaries, benefits and contracts written under questionable authority. Chugach reports a 100% cost overrun on a power development project at the Beluga Field near Anchorage. As customers we are forced to pay these outrageous costs.

Mr. Bowsher, I'm asking for your help in the following areas:

1. Stop the REA from any further action on Chugach Electric Associations $37.7 million dollar loan for cost overruns until there is a complete audit.

2. Request a complete audit of REA by the GAO, to determine the following:

a. Propriety of the entire Beluga Project including salaries, contracts let on competitive bid, cable laying operations and vessels hired to do the work.

b. Was the 1977 Foreign Corrupt Business Practices Act violated in the purchase of generators and the cable laying operations from a foreign country?

c. Were contracts let under Federal guide lines for competitive bid? Were contractors who were involved in the construction projects for Chugach Electric owned by any Chugach employees?

Seven to ten million dollars in contracts were given out without competitive bid by the manager of Chugach Electric, Bud Schultz.

d. What justifies the 100% cost overruns?

e. What savings would there be if three REA Co-ops, along with the Municipal Light and Power were merged into one management organization with three divisions.

a) division of generation, b) division of transmission and distribution, and, c) division of administration.

f. How many times have major line items been shifted in Chugach Electric, Homer Electric and Matanuska Electric? And, do these shifts indicate budget fraud? Example: Matanuska Electric Association. I, as an elected Board Member refused to sign a waiver for borrowing $1,646,000 this past August 1982. James F. Palin, Manager of Matanuska Electric Association stated at the time this money

was being borrowed for a new headquarters building in Palmer, Alaska. The Board now has the intention of using this money for other projects besides building this unnecessary building. Is this obtaining Federal money under false pretenses?

g. Attorney Roger Kemppel represents the three above mentioned utilities at the same time. Is this a conflict of interest?

My concern is to stop the flow of millions of dollars of Federal funds which flows through the Chugach Electric Association, which we the customer members must eventually pay. There are many people who would be more than happy to talk to GAO investigators in Alaska in order to get to the bottom of this case.

In closing I would like to say that if there are any violations of Federal laws then that information should be turned over to the Federal Grand Jury for prosecution of the individuals who are involved in this scandal.

I originally contacted Sen. William Proxmire regarding a full GAO audit outside the REA. He in turn referred me to our State Delegates - Stevens, Murkowski & Young.

I sent a request to our Delegates and met with them or their Staff personally concerning this in January 1983 in Washington, D. C. and their response was that they were not going to initiate a GAO investigation. It appears that they are proud of the way Chugach handles their business affairs and approve of the past practices of massive cost overruns. Some of their close friends are the recipients of the $9 million dollar contracts that went out without competitive bid.

In light of the poor performance of our Alaska Congressional Delegation, Sen. Proxmire referred me directly to the Anchorage GAO office, Ronald D. Kelso, Site Coordinator.

An early reply would be deeply appreciated.

Sincerely,

Tom Staudenmaier

Tom Staudenmaier
Director of the Board
Matanuska Electric Association

TS/ijb

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

Control Number
29514

25 APR 1983

Mr. Tom Staudenmaier
Director of the Board
Matanuska Electric Association
Electric Merger Committee
P.O. Box 1803
Eagle River, AK. 99577

Dear Mr. Staudenmaier:

Thank you for your letter regarding wrongdoing and/or mismanagement in Federal programs.

We are evaluating the information you provided to determine its ultimate disposition and have assigned it the above control number.

If you have additional information regarding this matter, you can send it to the Fraud Referral and Investigations Group at the following address:

U. S. General Accounting Office
Fraud Referral and Investigations Grou
Room 6134
441 G Street, NW.
Washington, D. C. 20548

Additional information can also be furnished by using our toll-free hotline. The number is 800-424-5454. Please call between 8:00 a.m. and 4:30 p.m. (Eastern time), Monday through Friday, and one of my staff will assist you.

When providing additional information, either by mail or phone, it is important that you refer to the control number shown in the upper right hand corner of this letter.

Your interest and concern are appreciated.

Sincerely yours,

George L. Egan, Jr.
Associate Director
Fraud Prevention/Audit
Oversight Group

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

May 5, 1983

Mr. Tom Staudenmaier
Director of the Board
Matanuska Electric Association
P.O. Box 1603
Eagle River, AK 99577

Dear Mr. Staudenmaier:

Your letter of March 30, 1983, which was referred to our Division on April 22, 1983, requested a complete audit of the Rural Electrification Administration (REA) activities relative to the Matanuska, Chugach, and Homer Electric Associations.

The General Accounting Office is an agency in the legislative branch of the Government whose principal purposes are to assure compliance by agencies of the executive branch with Federal statutes governing the expenditure of public monies appropriated by the Congress and to assist in improving the effectiveness and efficiency with which Government programs are administered. However, in the execution of these functions, our reporting responsibility runs to the Congress as a whole, to chairmen of committees and subcommittees, and to individual Members of Congress who request that we undertake work.

The Department of Agriculture has primary responsibility for assuring that REA activities are effectively administered. One way the Department accomplishes this is through periodic audits of REA by the Office of Inspector General. Accordingly, we have referred your request for an audit to the Department's Office of Inspector General for its consideration.

Sincerely yours,

Robert E. Allen, Jr.
Senior Group Director

United States Department of Agriculture

Office of Inspector General

Washington, D.C. 20250

Mr. Tom Staudenmaier
Director of the Board
Matanuska Electric Association
P.O. Box 1603
Eagle River, Alaska 99577

MAY 24 1983

Dear Mr. Staudenmaier:

Your letter of March 30, 1983, to Charles A. Bowsher, GAO, has been forwarded to our office.

We are checking into the alleged irregularities to see if any violations have occurred. You will be notified of our findings when we complete our review.

Sincerely,

Linda C. Magone

LINDA C. MAGONE, Acting Chief
Complaint Analysis Branch

United States Department of Agriculture
Office of Inspector General
Washington,. D.C. 20250

NOV 23 1983

Mr. Tom Staudenmaier
Executive Director
Staudenmaier Electric Merger Committee
P.O. Box 1603
Eagle River, Alaska 99577

Dear Mr. taudenmaier:

Your November 17 telegram to Secretary Block was referred to this office for reply.

Our investigation of your complaint concerning Chugach Electric Association, Homer Electric Association, and Matanuska Electric Association is complete and a report (Hq-999-3) was issued on November 10, 1983.

The investigative report is currently being reviewed by officials of the Department to determine whether enforcement action may be appropriate. Since release of the report at this time would interfere with enforcement proceedings, it is exempt from mandatory disclosure under the Freedom of Information Act, 5 U.S.C. 552(b)(7)(A). Therefore, your request for the report is denied.

You may appeal this decision to the Inspector General, U.S. Department of Agriculture, Washington, D.C. 20250.

Sincerely,

L. L. FREE
Assistant Inspector General
Administration

STAU SWIMMERS
ELECTRIC POWER COMMITTEE
P.O. BOX 1303 • EAGLE RIVER, AK 99577 • 694-4332, 694-2222

November 22, 1983

The Honorable John R. Block
Secretary of Agriculture
14th St. & Independence Ave., S. W.
Washington, D. C. 20250

Dear Mr. Block:

On November 18, 1982, I made a request to Senator Proxmire for a complete in-depth, Federal, criminal audit of Chugach Electric Assoc., Homer Electric Assoc., and Matanuska Electric Assoc., concerning massive cost overruns on the Beluga project and what major line items had been shifted.

Senator Proxmire replied that since Dept. of Defense funds were not directly involved, this request should be directed to our Alaska Delegates, Stevens, Young & Murkowski.

I sent a written request to our Delegates December 13th, 1982, and met with them or their Staff personally in Washington, D. C. in January 1983, and their response was to go to hell.

Letters were sent to Senator Proxmire by the management of MEA, HEA and the Rural Electrification Administration in an effort to kill this investigation. In light of the poor performance of our Alaska Congressional Delegation, Senator Proxmire referred me directly to the Comptroller General, Charles A. Bousher, United States General Accounting Office in Washington, D. C.

On April 25, 1983 Control No. 29514 was assigned to this case.

June 6th, 1983 special agents for the Office of Inspector General, Security and Special Operations, U. S. Dept. of Agriculture arrived in Anchorage from Washington, D. C. and from Kansas City, Missouri.

I was informed that on November 10th, 1983 the criminal investigation was completed by special agent Joe Rotunno.

I hereby request an immediate response to the disposition of this investigation concerning this scandal involving REA funds.

Will there be criminal prosecution of the individuals involved? If not, why not?

Will there be civil prosecution? If not, why not?

If the Department of Agriculture does not seek criminal or civil prosecution, then I hereby request a copy of the findings of that investigation.

Sincerely,

Tom Staudenmaier
Executive Director

TS/ijb

cc: CBS 60 Minutes
ABC 20/20

STAUDENMAIER'S
ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4932, 694-2322

December 22, 1983

President Ronald Reagan
The White House
Washington, D. C. 20250

Dear President Reagan:

On November 18, 1982, I made a request to Senator Proxmire for a complete in-depth, Federal, criminal audit of Chugach Electric Assoc., Homer Electric Assoc., and Matanuska Electric Assoc., concerning massive cost overruns on the Beluga project and what major line items had been shifted.

Senator Proxmire replied that since Dept. of Defense funds were not directly involved, this request should be directed to our Alaska Delegates, Stevens, Young & Murkowski.

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I was informed that on November 10th, 1983, the criminal investigation was completed by special agent Joe Rotunno.

A reply was received on November 23rd, 1983 from the Department of Agriculture indicating that report #Hq. 999-3 was issued on November 10th, 1983. This criminal investigative report is currently being reviewed by officials of the Department to determine whether enforcement action may be appropriate.

STAUDENMAIER'S
ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2322

Mr. President, through hours of research, we have uncovered the fact that Stevens, Young & Murkowski have received substantial financial contributions from the Action Committee for Rural Electrification, 1800 Massachusetts Ave. N. W., Washington, D. C. 20036.

According to the Federal Election Commission Reports, one of the congressional delegates from Alaska received a substantial contribution from Wayne H. Henson, 1701 E. 1st Avenue, Anchorage, Ak. 99501. His employer is York Steel, who is one of the prime suspects in this $100 million dollar cost overrun.

We have followed your presidency the last three years in the areas of your efforts in uncovering waste, mismanagement and corruption in the Federal system. In light of Stevens, Young & Murkowski's refusal to help clean up their own backyard, they may try to quash and cover up this investigation to protect some of their friends who are involved.

Mr. President, I ask you to look into the matter of this incident.

Will there be criminal prosecution of the individuals involved?

Will there be civil prosecution? If not, why not?

If the Department of Agriculture does not seek criminal or civil prosecution, then I hereby request a copy of the findings of that investigation.

We hereby request an immediate response to the disposition of this investigation concerning this scandal involving REA funds. It affects hundreds of thousands of Alaskans.

Respectfully yours,

Tom Staudenmaier
Executive Director

TS/ijb

P. S. We Alaskans wish you and Nancy a Merry Christmas and Joyous New Year!

United States Department of Agriculture

Office of Inspector General

Washington, D.C. 20250

FEB - 9 1984

Mr. Tom Staudenmaier
Executive Director
Staudenmaier Electric Merger Committee
P.O. Box 1603
Eagle River, Alaska 99577

Dear Mr. Staudenmaier:

This replies to your February 7 telephone call during which you reiterated your request for investigative report Hq-999-3.

Mr. Free withheld the report because it was being reviewed by officials of the Department to determine whether enforcement action was appropriate and because release at that time would have interfered with enforcement proceedings. We have now determined that release of the report will no longer interfere with enforcement proceedings. A copy is enclosed.

Please send $6.40 to cover copying costs (10 cents per page). Your check or money order should be made payable to "Treasury of the United States" and mailed to:

Mr. L. L. Free
Office of Inspector General
U.S. Department of Agriculture
Room 8-E, Administration Building
Washington, D.C. 20250

Sincerely,

JAMES J. SCOTT
Director
Policy and Liaison Staff

Enclosure

THE WHITE HOUSE

WASHINGTON

February 22, 1984

Dear Mr. Staudenmaier:

This is in response to your recent letter to the President, which was forwarded to my office for reply.

Please be advised that we have forwarded your correspondence to the General Counsels at the Department of Agriculture and the Federal Elections Commission so that it may receive appropriate consideration by those Government officials responsible for review of such matters. It is established White House policy not to become involved in particular investigatory matters pending before a Federal department such as the Department of Agriculture, or which come under the jurisdiction of an independent agency such as the Federal Elections Commission.

I am confident you will understand the need for this policy as a means for maintaining public confidence in the effective and impartial administration of our laws.

With best regards,

Sincerely,

Fred F. Fielding
Counsel to the President

Mr. Tom Staudenmaier
Executive Director of Staudenmaier's
Electric Merger Committee
Post Office Box 1603
Eagle River, Alaska 99577

STAUDENMAIER'S
ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2822

November 16, 1983

CBS-60 Minutes
555 W. 57th Street
New York, N. Y. 10019.

Re: Telephone Conversation
of November 15th, 1983

Dear Sirs:

Please find enclosed the newspaper clippings that you asked for. A copy of a letter to U. S. Senator Proxmire, the Government Accounting Office, and all other pertinent data.

On November 10th, 1983 a criminal audit was completed by Federal agents from the Office of Security and Special Operations, U. S. Dept. of Agriculture.

There is concern on our part that an effort is underway to cover up these findings.

I would encourage you to contact Secretary of Agriculture, John R. Block.

Sincerely yours,

Tom Staudenmaier
Executive Director

TS/ijb

Attachments

STAUDENMAIER'S
ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4932, 694-2322

November 16, 1983

Mary Jo Malone
ABC - 20/20
77 W. 66th Street
New York, N. Y. 10023

Re: Telephone Conversation
of November 15th, 1983

Dear Ms. Malone:

Please find enclosed the newspaper clippings that you asked for. A copy of a letter to U. S. Senator Proxmire, the Government Accounting Office, and all other pertinent data.

On November 10th, 1983 a criminal audit was completed by Federal agents from the Office of Security and Special Operations, U. S. Dept. of Agriculture.

There is concern on our part that an effort is underway to cover up these findings.

I would encourage you to contact Secretary of Agriculture, John R. Block.

Sincerely yours,

Tom Staudenmaier
Executive Director

TS/ijb

Attachments

December 01, 1983

Patricia A. Klein
Chief of Public Records
Federal Election Commission
1325 "K" Street, N W
Washington, D. C. 20463

Attention: Lucinda Munger

Dear Ms. Munger:

On my visit of November 22nd, 1983, Ippaid cash in the amount of $118.00 to get copies made.

As per our telephone conversation of today, please find enclosed a check for the balance of $105.00 for the cost of copying campaign contribution records concerning Stevens, Young and Murkowski.

Thank you for your assistance in this matter. Please send the copies as soon as possible.

Sincerely yours,

Tom Staudenmaier
Executive Director

TS/ijb

Attachment: check

BILL SHEFFIELD, GOVERNOR

REPLY TO:

☐ 610 C STREET, SUITE 211
ANCHORAGE, ALASKA 99501-3598
(907) 276-4176

☐ JUNEAU BRANCH OFFICE
POUCH CO
JUNEAU, ALASKA 99811-0222
(907) 465-4864

ALASKA PUBLIC OFFICES COMMISSION

March 31, 1983

Tom Staudenmaier
Staudenmaier's Electric Merger Committee
Post Office Box 8-890
Anchorage, Alaska 99508

Dear Tom:

You have asked me to confirm that the Electric Merger Committee, funded separately and independently of the Alaska Conservative Political Action Committee, is not subject to the reporting requirements of Alaska's Campaign Disclosure Law, AS 15.13, with regard to elections held by private entities such as the Matanuska Electric Association and the Chugach Electric Association. The reason for this is that the disclosure requirements of AS 15.13 apply only to state and municipal elections. Hence, efforts to influence the outcome of the election held by a private entity are not reportable; advertising related to such a private election is not within the APOC's jurisdiction and is not required to carry the identification specified by AS 15.13.090.

In the event that the subject of a merger appears on the ballot at a Municipality of Anchorage election, however, efforts to influence the outcome of that municipal election would be reportable under AS 15.13 and required to be identified.

Sincerely,

ALASKA PUBLIC OFFICES COMMISSION

Theda S. Pittman

Theda S. Pittman
Executive Director

TSP/dh

MATANUSKA ELECTRIC ASSOCIATION, INC.

P.O. BOX 1148

PALMER, ALASKA 99645

TELEPHONE
(907) 745-3231

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

December 21, 1983

Mr. Thomas G. Staudenmaier
Staudenmaier's Electric Merger Committee
P. O. Box 1603
Eagle River, Alaska 99577

Dear Mr. Staudenmaier:

In reference to your letter of December 7, to MEA President Robert Husted, in which you basically requested a $25,000 contribution from MEA to the Staudenmaier Electric Merger Committee, please be advised that the MEA Board of Directors voted against making a contribution to your Committee. Since you were present at that meeting, I feel confident that you understand the reasons for the Boards' decision. In addition, and as you will no doubt recall, on November 9, 1982, the Board included the following comment in Resolution No. 1018, "WHEREAS, the Board of Directors of Matanuska Electric Association, Inc. because it has not yet been furnished with sufficient information and verified facts in support of the merger plan, has taken no position on this plan." To the best of my knowledge, the Board's position has not changed.

Should you have need for additional information, please send us a letter detailing the request, and MEA will certainly consider an appropriate response.

Happy Holidays to you and yours.

Sincerely,

James F. Palin
General Manager

mm

cc: Board of Directors
Roger R. Kemppel

Homer Electric Association, Inc.

CENTRAL OFFICE: P.O. BOX 429 • HOMER, ALASKA 99603-0429 • (907) 235-8167

December 14, 1983

Mr. Tom Staudenmaier, Exec. Director
Staudenmaier's Electric Merger Committee
P. O. Box 1603
Eagle River, Alaska 99577

Dear Mr. Staudenmaier:

Reference is made to your communication dated December 7, 1983, relative to your proposed merger.

Please be advised that HEA is presently in the process of forming a Generation & Transmission Cooperative; and, therefore, would not be interested in forming a second organization.

Best wishes for a happy holiday season.

Very truly yours,

HOMER ELECTRIC ASSOCIATION, INC.

Leo Rhode
President

LR:em

STAUDENMAIER'S
ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2322

NEWS RELEASE Nov. 17, 1983

PROPOSED NEW BI-LAWS OF THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP, TO BE VOTED ON BY THE MEMBERS OF CHUGACH ELECTRIC ASSOC., MATANUSKA ELECTRIC ASSOC. AND HOMER ELECTRIC ASSOC., UNDER TITLE 10, STATUATORY LAW, CHAPTER 25, ELECTRICAL AND TELEPHONE CO-OPERATIVE ACT, ARTICLE II, MERGER AND CONSOLIDATION, SECTION 10.25.240.

1. THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP'S BOARD OF DIRECTORS SHALL CONSIST OF 11 MEMBERS. THE CO-OP'S HEADQUARTERS SHALL BE IN ANCHORAGE, ALASKA.

RATIONALE: EVERY AREA IN SOUTHCENTRAL ALASKA IS EQUALLY REPRESENTED BY POPULATION USING THE SAME REAPPORTIONMENT METHOD AS THE ALASKA STATE SENATE.

2. THE BOARD OF DIRECTORS SHALL NOT SERVE MORE THAN ONE CONSECUTIVE FOUR YEAR TERM.

RATIONALE: NEW PEOPLE WILL BRING NEW IDEAS TO THE BOARD OF DIRECTORS, WITHOUT LETTING ANY CERTAIN GROUP DEVELOP A POWER STRUCTURE.

3. MONTHLY BOARD MEETINGS SHALL BE CONVENED ON THE SECOND SATURDAY OF EACH MONTH, CONVENING AT 10:00 AM. THE MEETINGS SHALL BE HELD ON A ROTATING BASIS STARTING IN ANCHORAGE. THE NEXT MONTHLY MEETING SHALL BE IN THE MAT/SU VALLEY. FOLLOWED BY THE KENAI PENINSULA. EACH OF THESE AREAS SHALL HAVE FOUR MEETINGS PER YEAR, FOLLOWING THE ABOVE ROTATION SCHEDULE. THIS ROTATION SHALL NOT BE CHANGED UNLESS VOTED ON BY THE MEMBERSHIP AT LARGE.

RATIONALE: THIS WILL GIVE THE CONSUMER/OWNERS OF THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP MAXIMUM EXPOSURE TO THE BOARD OF DIRECTORS FOR THEIR MAXIMUM PARTICIPATION.

STAUDENMAIER'S
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4. ALL OFFICIAL MEETINGS, INCLUDING WORK SESSIONS, SHALL BE TAPED, TRANSCRIBED AND THE ORIGINAL COPY HELD AT THE CO-OPS HEADQUARTERS FOR SEVEN YEARS. THE TAPING SYSTEM SHALL BE OF THE SAME QUALITY AS THAT OF THE ANCHORAGE MUNICIPAL ASSEMBLY. ALL ISSUES SHALL BE RECORDED BY ROLL CALL VOTE.

RATIONALE: TO MAINTAIN A COMPLETE RECORD OF THE BUSINESS THAT TRANSPIRES WITHIN THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP.

5. A COMPLETE, CERTIFIED COPY OF THESE TRANSCRIPTS SHALL BE POSTED AT EACH LOCATION OF THE AK. SOUTHCENTRAL ELECTRIC CO-OP'S PLACE OF OFFICIAL BUSINESS, AND MADE AVAILABLE TO THE MEMBERSHIP WITHIN 48 HOURS OF A BOARD MEETING. THESE ARE TO BE UPDATED ON A MONTHLY BASIS.

RATIONALE: TO GIVE THE CONSUMER/OWNER IMMEDIATE ACCESS TO TRANSACTIONS THAT OCCURED AT THE BOARD MEETINGS OR WORK SESSIONS.

6. THE GENERAL MANAGER SHALL SERVE FOR A ONE 5 YEAR TERM. THE BOARD OF DIRECTORS CAN REPLACE HIM OR HER AT THEIR DISCRESSION AT ANY TIME DURING HIS/HER TERM IF HIS/HER SERVICES ARE BELOW EXPECTATIONS.

RATIONALE: "NEW LEADERSHIP BRINGS NEW AND FRESH IDEAS".

7. ALL SALARIES AND BENEFITS OF THE EMPLOYEES OF THE AK. SOUTHCENTRAL ELECTRIC CO-OP SHALL BE MADE PUBLIC TO THE MEMBERSHIP, WITH AN UPDATE EVERY SIX MONTHS. BENEFITS SHALL NOT EXCEED 20% OF THE BASE SALARY. THE SALARIES, BENEFITS AND JOB TITLES SHALL BE POSTED IN ALL OF THE OFFICIAL OFFICES OF THE CO-OP FOR MEMBERSHIP REVIEW.

RATIONALE: THE MEMBERSHIP OWNS THE CO-OP. THE MEMBERS ARE THE EMPLOYER AND THEREFORE SHOULD BE AWARE OF THE SALARIES AND BENEFITS THAT THEIR EMPLOYEES ARE BEING PAID.

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8. THE SALARY OF THE GENERAL MANAGER SHALL NOT EXCEED THE BASE SALARY OF THE GOVERNOR OF THE STATE OF ALASKA.

RATIONALE: THERE ARE THOUSANDS OF AMERICAN MEN AND WOMEN WHO ARE QUALIFIED, WHO ARE LOOKING FOR JOBS.

9. IT SHALL TAKE A 2/3 VOTE BY THE BOARD OF DIRECTORS TO IMPLEMENT A PAY RAISE FOR THE EMPLOYEES.

RATIONALE: TO CONTROL OVERHEAD EXPENSES AND HELP KEEP THE COST OF THE ELECTRIC UTILITIES REASONABLE.

10. THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP SHALL BE A NON-PROFIT ORGANIZATION AND THEREFORE SHALL NOT ENGAGE IN ANY NEW CONSTRUCTION. NEW CONSTRUCTION IS DEFINED AS: ANY ITEMS THAT ARE NOT ALREADY PHYSICALLY IN PLACE, INCLUDING TEMPORARY POWER. THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP SHALL BE DESIGNATED AND SHALL FUNCTION AS A SERVICE AND MAINTENANCE ORGANIZATION. NEW CONSTRUCTION SHALL BE PUT OUT TO COMPETITIVE BID TO PRIVATE ENTERPRISE.

RATIONALE: THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP IS A NON-PROFIT ORGANIZATION AND SHALL NOT COMPETE WITH A PROFIT MAKING ORGANIZATION. LABOR PRODUCTIVITY IS MUCH GREATER IN PRIVATE INDUSTRY.

11. MAINTENANCE AND SERVICE PERSONNEL UNDER A COLLECTIVE BARGAINING AGREEMENT WITH THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP SHALL RECEIVE 85% OF CONSTRUCTION SCALE, PLUS BENEFITS.

RATIONALE: THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP IS ESTABLISHED AS A MAINTENANCE AND SERVICE ORGANIZATION, NOT AS A CONSTRUCTION COMPANY. THEREFORE THE MEN AND WOMEN WHO WORK SERVICE AND MAINTENANCE ARE NOT ENTITLED TO

STAUDENMAIER'S
ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2322

FULL CONSTRUCTION SCALE. THOSE WHO WANT TO RECEIVE FULL CONSTRUCTION SCALE SHOULD TAKE THEIR TALENTS AND WORK IN THE CONSTRUCTION INDUSTRY. THIS IS A FAIR AND EQUITABLE WAGE AND THE SAME TYPE OF WAGE PLAN USED BY ALYESKA PIPELINE SERVICE CO.

12. THE BELUGA POWER STATION SHALL BE DESIGNATED AS LOCAL HIRE AND SERVICE AND MAINTENANCE SHALL BE RUN ON THREE 8 HOUR SHIFTS, TWENTY-FOUR HOURS PER DAY, SEVEN DAYS A WEEK.

RATIONALE: CUT DOWN COST OF OVERHEAD TO MAINTAIN THE MEN AND WOMEN WHO WORK AT BELUGA. CREATE MORE JOBS BY CUTTING OVERTIME.

13. BID PROCEDURES SHALL FOLLOW THE BID PROCEDURES OF THE STATE OF ALASKA ON ALL NEW CONSTRUCTION PROJECTS. ANY VIOLATIONS OF BID PROCEDURES SHOULD BE CLASSIFIED AS A FELONY COUNT UNDER STATUATORY LAW.

RATIONALE: EVERY BUSINESS ESTABLISHMENT THAT WANTS TO PARTICIPATE IN THE BIDDING PROCESS SHALL HAVE AN EQUAL OPPORTUNITY TO PARTAKE OF THE AMERICAN FREE ENTERPRISE SYSTEM.

14. LINE EXTENSION POLICIES: THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP'S LINE EXTENSION POLICIES SHALL BE: 1. ALL NEW SUBDIVISIONS MUST SECURE THEIR OWN FINANCING FOR THEIR ELECTRIC POWER INSTALLATION AND SHALL BUILD THEIR SYSTEM TO THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP'S SPECIFICATIONS, SO IT IS COMPATIBLE WITH THE MAIN POWER GRID SYSTEM. 2 EACH SUBDIVISION SHALL CHOOSE HIS OWN METHOD OF INSTALLATION PROVIDED IT MEETS THE SPECIFICATIONS OF THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP. 3. WHEN THESE SPECIFICATIONS ARE MET, THEN THE AK. SOUTHCENTRAL ELECTRIC CO-OP SHALL ENERGIZE THE SYSTEM.

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ELECTRIC MERGER COMMITTEE
P.O. BOX 1603 • EAGLE RIVER, AK 99577 • 694-4982, 694-2322

15. THE TRANSITION TEAM OF THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP.

1. THE TRANSITION TEAM SHALL BE MADE UP OF THREE MEMBERS FROM MEA, HEA & CEA, EACH SELECTED BY THEIR OWN BOARD OF DIRECTORS.

2. THE TRANSITION TEAM POWERS SHALL BE:

A. TO OVERSEE THE OFFICIAL ELECTION OF THE PERMANENT ELEVEN MEMBER BOARD WITHIN 60 DAYS OF THE MERGER VOTE.

B. TO EXECUTE CONTRACTS FOR THE LENGTH OF 60 DAYS ONLY, ON BEHALF OF THE ELECTION PROCESS.

16. THE PRESENT THREE UTILITIES, MEA, HEA & CEA SHALL FUNCTION IN THEIR INDIVIDUAL CAPACITY UNTIL THE NEW ELEVEN MEMBER BOARD IS SELECTED. THE NEW BOARD OF DIRECTORS SHALL HAVE NINETY DAYS TO COMPLETE THE MERGER.

17. ALL JOBS SHALL BE FILLED THRU APPLICATIONS RECEIVED AT THE PERSONNEL DEPT. OF THE ALASKA SOUTHCENTRAL ELECTRIC CO-OP. NO PRESENT EMPLOYE IS GUARANTEED THEIR POSITION IN THE NEW ORGANIZATION.

RATIONALE: ALL QUALIFIED ALASKANS SHALL HAVE THE SAME OPPORTUNITY TO APPLY AND COMPETE FOR THE JOBS THAT ARE AVAILABLE IN THIS NEW CO-OP.

Tom Staudenmaier

TOM STAUDENMAIER
EXECUTIVE DIRECTOR

LOBBYIST REGISTRATION

RETURN TO:

ALASKA PUBLIC OFFICES COMMISSION
Pouch CO
Juneau, Alaska 99811-0222
(907) 465-4864 or 465-4865

ARRIVED

APR 11 1984

APOC - ANCH
PM (HC)

(PLEASE PRINT OR TYPE)

Part 1. GENERAL INFORMATION (The address you indicate below will be used by the APOC when forwarding information regarding the Regulation of Lobbying.)

Lobbyist's Name	Home Telephone
THOMAS G. STAUDENMAIER	694-2322
Mailing Business Address (Street, City, State, Zip Code)	**Business Telephone**
P.O. Box 1603 Eagle River AK 99577	Same

Home Address (Street, City, State, Zip Code)
Same as above

Part 2. THIS FORM IS:

☒ Initial Registration	Initial Date of Lobbying this Year	☐ Additional Employer	Initial Date of Lobbying this Year	☐ Amendment (Change of Address, Status, etc.)
	11 April 84			

Part 3. EMPLOYER INFORMATION: NAME AND ADDRESS

Name of Business	Telephone
STAUDENMAIER'S ELECTRIC MERGER COMMITTEE	694-2322

Mailing Business Address (Street, P.O. Box, City, State, Zip Code)
Same as above

Part 4. Name and Address of person who has custody of records required to be maintained by AS 24.45. if other than the lobbyist named in Part 1.

Name	Title	Telephone

Mailing Address (Street, City, State, Zip Code)

Part 5. EMPLOYMENT INFORMATION **LOBBYIST IS:**

☐ Employed solely as a lobbyist
☐ Retained to lobby in addition to other duties, i.e. consulting
☒ A regular employee performing services for employer which include, but are not limited to, influencing legislative or administrative action.
☐ A representational lobbyist, i.e., an individual who receives no salary, fee or other compensation from the entity on whose behalf he is lobbying but whose expenses are reimbursed.

Part 6. TYPE OF LOBBYING:

☒ Legislative ☐ Administrative

Part 7. NATURE OF COMPENSATION:

☐ Salary ☐ Fee ☒ Reimbursement of Expenses ☐ Other (Specify)

Part 8. DESCRIPTION OF LOBBYING ACTIVITIES:

Give a general description of the subjects or matters on which the registrant expects to lobby or to engage in the influencing of legislative or administrative action.

House Bill 475 1984

Part 9. CERTIFICATION

I hereby certify that this registration is true, complete and correct, in accordance with AS 24.45.041.

Loobyist's Signature NOTE: Your report is not considered complete unless signed by the lobbyist:	Date
Thomas G. Staudenmaier	11 April 84

Complete the following if the form was prepared by someone other than the lobbyist:

Signature	Date	Telephone

Type or Print Name	Position

Business Address

REMINDER: For each reporting period in which you remain registered as a lobbyist you must file a LOBBYIST REPORT (Form 24-3). If you have had no activity during the period, i.e., received no compensation or made no expenditures, you are still required to submit Form 24-3 indicating no activity.

A SEPERATE REGISTRATION STATEMENT MUST BE FILED FOR EACH EMPLOYER.

EMPLOYER OF LOBBYIST VERIFICATION

RECEIVED

RETURN TO:
ALASKA PUBLIC OFFICES COMMISSION
Pouch CO
Juneau, Alaska 99811-0222
(907) 465-4864 or 465-4865

APR 11 1984

APOC - ANCH
PM (HC)

INSTRUCTIONS: AS 24.45.061. REPORTS BY EMPLOYERS OF LOBBYISTS. (a) Within 15 days after employing, retaining or contracting for the employment or retention of a lobbyist, the person who employs, retains or who contracts for the services of a lobbyist shall file a statement with the commission authorizing or verifying that employment, retention or contract for lobbying services.

SUBMIT A SEPARATE APOC FORM 24-2, EMPLOYER OF LOBBYIST STATEMENT, FOR EACH LOBBYIST.

1. NAME OF BUSINESS, ORGANIZATION OR INDIVIDUAL EMPLOYING OR RETAINING A LOBBYIST: (PLEASE PRINT OR TYPE)

Name: STAUDENMAIER'S ELECTRIC MERGER COMMITTEE

Area Code Phone: 694-2322

Mailing Address (Street or P.O. Box, City, State and Zip Code)
P.O Box 1603 Eagle River AK. 99577

2. NAME OF LOBBYIST AND DATE OF EMPLOYMENT/DATE OF RETENTION AS A LOBBYIST

Name of lobbyist employed or retained to represent you or your business or organization
THOMAS G. STAUDENMAIER

Current year date of employment, retention, or assignment to lobby
12 April 84

3. ADDRESS TO BE USED BY APOC WHEN FORWARDING INFORMATION REGARDING LOBBYING IF OTHER THAN THE ADDRESS IN NO. 1.

4. DETERMINATION OF BONA FIDE STATUS

A. Is your association registered in the State of Alaska as: ☐ Partnership ☐ Corporation N/A

B. If your association is financed by membership dues, does any one member pay in excess of 25% (one-fourth) of the total paid by all members? ☐ Yes ☐ No ☒ Non-applicable

C. If your association is financed by membership dues and uses a sliding dues assessment scale, does any member exceed an allotted assessment by 25% solely for the purposes of supporting lobbying activity?

☐ Yes ☐ No ☒ Non-applicable

D. Do the association's annual expenditures for administrative and legislative lobbying (based on the previous year's experience or current year's estimate) equal or exceed 50% of the total expenditures for the year?

☐ Yes ☒ No

5. CERTIFICATION: I hereby certify that the above-named person is authorized to engage in the activities of lobbyist on behalf of the business, organization or individual named above and that, to the best of my knowledge, all facts contained herein are true, complete and correct.

EXECUTED ON BEHALF OF THE EMPLOYER:

Signature: Thomas G. Staudenmaier — Date: 11 April 84

Type or Print Name: THOMAS G. STAUDENMAIER — Title or Position: Executive Dir

EMPLOYER OR CLIENT OF LOBBYIST REPORT
GENERAL INFORMATION SHEET

Due Date: July 31, 1984

RETURN TO:

ALASKA PUBLIC OFFICES COMMISSION
Pouch CO
Juneau, Alaska 99811-0222
(907) 465-4864 or 465-4865

1. NAME AND ADDRESS OF EMPLOYER OR CLIENT:

Name: Staudenmaier Electric Energy Consultants — Telephone: 694-2322

Mailing Address: P.O. Box 1603 Eagle River AK. 99577

Street Address:

☐ Check if new mailing address

2. CERTIFICATION:

I hereby certify that this report and its attachments are, to the best of my knowledge, true, correct and complete:

Executed on Behalf of the Employer:

Signature: Thomas H Staudenmaier — Date: 11 April 84

Type or Print Name: THOMAS G. STAUDENMAIER — Title of Position: Pres. Dir.

Complete the following if the form was prepared by a person other than the person signing on behalf of the employer

Signature	Type or Print Name	Telephone

Business Address:

PLEASE REMEMBER: YOU MUST ACCOUNT FOR ALL LOBBYISTS WHO WERE REGISTERED DURING THE QUARTER FOR WHICH YOU ARE REPORTING: SUBMIT EITHER A SCHEDULE A (IF APPLICABLE PAYMENTS WERE MADE) OR NOTE THE NAME OF THE LOBBYIST(S) UNDER QUESTION 8 BELOW (IF NO APPLICABLE PAYMENTS WERE MADE). FAILURE TO ACCOUNT FOR ALL LOBBYISTS MAY RESULT IN THE ASSESSMENT OF A CIVIL PENALTY.

3. REPORTING PERIOD (CHECK ONE ONLY)

☐ 1st Quarter (Jan-March) ☑ 2nd Quarter (April-June) ☐ 3rd Quarter (July-Sept) ☐ 4th Quarter (Oct.-Dec)

4. NOTICE OF TERMINATION: LIST THE NAME AND EFFECTIVE DATE OF ANY LOBBYIST WHO TERMINATED HIS LOBBYING ACTIVITIES ON YOUR BEHALF DURING THE REPORTING PERIOD:

Name	Date
Name	Date

☐ This constitutes a final reporting of all payments related to our attempts to influence legislative and administrative action this year.

5. DESCRIPTION OF LOBBYING ACTIVITIES:

Give a general description of the legislative or administrative action you attempted to influence through the use of a lobbyist:

6. NATURE AND INTEREST OF EMPLOYER:

a. NATURE (Check One)

☐ Business Entity ☐ Industry, Trade, or Professional Association ☐ Individual ☑ ~~Other~~

b. INTEREST (Give a brief description of the entity or individual's interest)

Cut your Light Bill 67% To 80% Percent Per Month

APOC 24-4 (Rev. 12/81)

COMPLETE REVERSE SIDE

SCHEDULE A
EMPLOYER OR CLIENT OF LOBBYIST REPORT
PLEASE DO NOT SUBMIT THIS SCHEDULE WITHOUT A GENERAL INFORMATION SHEET (FORM 24-4)

INSTRUCTIONS: A separate Schedule A must be filed for each lobbyist to whom payments either are due or have been made directly or indirectly to, or on behalf of, during the reporting period. See manual of instructions for specific details as to what constitutes reportable Schedule A transactions. *(If no payments were made or due to or on behalf of a lobbyist during the reporting period, the lobbyist's name should be noted in Number 8 on the General Information Sheet (Form 24-4).*

Part A-1: General Information

This Report is Being Filed for: ☐ 1st Qtr. ☒ 2nd Qtr. ☐ 3rd Qtr. ☐ 4th Qtr. 198_____ ☐ Amended

Name of Employer or Client: Stanislaus Electric Mergers Committee

Name of Lobbyist: Thomas H Stanislaus

Part A-2: Payments Accrued or Made Either Directly or Indirectly to, or on Behalf of, the Lobbyist this Period:

Month Accrued	Recipient of Payment	Total Amount Paid or Accrued	Salary, Fee Retainer	Food and Beverage	Living Accommodations	Travel	Other Expenses (Explain on Other Side)	Other Things of Value (Explain on Other Side)
April 84	Crown Travel Inc.	$ 352.00						
Totals from Above.....								
Totals from Other Side.....								
Totals This Period.....								
Cumulative Last Report.....								
CUMULATIVE TO DATE.....								

APOC Form 24-4A (Rev. 12/81)

(USE REVERSE SIDE IF NECESSARY)

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 30, 1983

TO: Joyce M. Murphy, President, Board of Directors

FROM: Thomas S. Kolasinski, Interim General Manager

SUBJECT: CFC - Study of the Formation of An Alaskan G & T

Comments:

1. Study Variance - Natural Gas Contracts

   Quote: "We are of the opinion that the figures provided which justify a formation of the G & T far outweigh any perceived loss of benefits from an assignment of the gas contracts to the new G & T."

   Answer: CFC states a savings of $271.9 million over a period of 18 years and $639.0 million over the entire period. Apparently CFC didn't do their homework because if the present CEA Beluga gas contracts were abragated and the G & T would have to pay the market price $2.32 MCF vs 20¢ MCF for the gas that is in inventory the net cost would be more than $700 million during the next 15 years.

Nowhere in the study does the report address the cost to Chugach (Distribution Coop.) for the additional 20% supplemental loan requirements from CFC if a G & T were formed; i.e., CEA would have a plant revenue ratio of approximately 9.0. (Total utility plant ÷ operating revenue - less cost of power.)

The study characterizes higher margins as a cost to members.

Chugach believes there are several benefits from using a 1.5 TIER:

1. A Equity Management Program can flow monies back to the members.

2. Chugach can invest in facilities instead of borrowing money.

VAN NESS, FELDMAN, SUTCLIFFE, CURTIS & LEVENBERG
A PROFESSIONAL CORPORATION
1050 THOMAS JEFFERSON STREET, N.W.
SEVENTH FLOOR
WASHINGTON, D.C. 20007
(202) 33[illegible]-2400

B. LYNN SUTCLIFFE
HOWARD J. FELDMAN
WILLIAM J. VAN NESS, JR.
BEN TAMAGATA
ROBERT G. SZABO
GRENVILLE GARSIDE
DERRY LEVENBERG, P.C.
HUGH D. AIN
ALAN L. HINTZ
ROBERT B. NORDHAUS
CHARLES B. CURTIS
GARY L. FONTANA

GARY D. BACHMAN
R. KEITH GUTHRIE
PETER D. DICKASON
JEFFREY S. CHRISTIE
ADAM WENNER
RICHARD D. RATHVON
ELLEN E. YOUNG
RUMAN TOMASAT
DEBORAH M. GOTTHELF
DAVID W. DICKINSON
WILLIAM B. CONWAY, JR.

December 2, 1983

Dr. Joyce Murphy
Chairwoman, Board of Directors
Chugach Electric Association, Inc.
P.O. Box 3518
Anchorage, Alaska 99501

Dear Doctor Murphy:

You have requested our opinion as to whether certain natural gas supply contracts ("gas contracts") under which natural gas is sold to Chugach Electric Association, Inc. ("Chugach") may be assigned by Chugach to a proposed generation and transmission cooperative ("G&T") without the consent of the producer/sellers under such contracts.

Summary of opinion

Our opinion is that such an attempt to assign the gas contracts without the consent of the producer/sellers may violate the terms of the contracts. Although a sound legal argument can be made that these contract terms are inapplicable or unenforceable, an assignment without the consent of the producer/sellers presents an unacceptable risk to Chugach of the loss of the economic benefit of the gas contracts.

Background

Chugach has considered the possibility of establishing a G&T to which Chugach's generation and transmission facilities would be transferred and to which its long-term natural gas supply contracts would be assigned. Under these contracts, Chugach purchases natural gas for fuel for its generating facilities from ARCO, Shell and Chevron ("producer/sellers") at a price of approximately 26 cents per MCF.

Article XVII of the gas contracts (which is identical in all of the contracts) provides as follows:

> All provisions, covenants and obligations contained herein by which either of the parties hereto is bound, shall in like manner be binding upon the successors and assigns of the parties so bound and those which are for the benefit of either of the parties shall in like manner inure to the benefit of the successors and assigns of the parties so benefited; provided, however, that neither party hereto shall assign this Agreement in whole or in part (except to a subsidiary or successor to their respective businesses) without first obtaining the consent in writing of the other party except that the Buyer may assign this Agreement to the United States Government or any Agency thereof to secure any indebtedness thereto without Seller's consent.

Analysis

The assignment clauses of the gas contracts by their terms prohibit either party from assigning the contract in whole or in part without obtaining the prior written consent of the other party, except where the assignment is to a "subsidiary or successor" of the assignor's "business," or to a Federal agency as security for indebtedness. Thus, assignment to the G&T would be a breach of the contract unless --

(i) the G&T is a "subsidiary or successor" of Chugach's "business";
(ii) the assignment clause is inapplicable or unenforceable; o
(iii) consent is obtained.

a. "Subsidiary or successor"

Under Article XVII, consent is not required for assignment to a "subsidiary" or "successor" to Chugach's business. Both terms are undefined. However, it is unlikely that the G&T would be regarded as a subsidiary unless it was owned or controlled by Chugach. Whether the G&T is a successor is a closer question. While it would not be a successor to Chugach as a corporate entity (as a G&T which resulted from a merger or reorganization would be), the G&T could be regarded as a successor to Chugach's generation and transmission business. By specifying the "business" of the parties instead of referring to the parties, the assignment clause of the contract is concerned with the economic activity of the assignee, not its corporate form.

The producers, on the other hand, could argue that the reference to "business" was intended to refer to Chugach's business as a whole (including the distribution functions), and that a G&T not owned or controlled by Chugach is not a subsidiary or successor of Chugach's generation, transmission and distribution business.

b. Scope of prohibition on assignment.

Contract clauses prohibiting assignment are specifically addressed in the Uniform Commercial Code ("UCC"). Section 2.210(c) of the UCC (AS 45.02.210(c)) applies to sales of natural gas (see, AS 45.02.107) and provides:

> Unless the circumstances indicate the contrary, a prohibition of assignment of "the contract" is to be construed as barring only the delegation to the assignee of the assignor's performance.

Thus, if the contract language prohibited assignment, Chugach could assign its right to gas delivery, but not its duty to pay, unless the circumstances indicated the contrary. The gas contracts do not completely prohibit assignment; they only prohibit it unless consent is obtained or the assignee is a successor, subsidiary, or Federal agency. In our opinion, this UCC provision applies even if the prohibition on assignment is not unqualified. However, the UCC provision is only a rule of construction ("is to be construed") which applies unless "the circumstances indicate the contrary".

Examination of the assignment clause in the gas contracts indicates that they are not simple prohibitions on assignment, but rather are carefully drafted provisions which prescribe the rights and duties of successors and assigns, and limit the conditions under which assignment is permissible. Under the assignment clause, contract obligations are binding on successors and assigns; contract rights inure to the benefit of successors and assigns; but consent to an assignment is required unless the assignment is to a subsidiary, successor, or Federal agency.

If the draftsman had intended the construction provided by UCC § 2.210(c), (consent is required only in order to delegate performance), then it is unlikely that the assignment clause would have specifically provided that contract benefits inure to the benefit of an assignee where consent has been given, since under § 2.210(c) the assignee could receive these benefits even if consent were not given.

c. Good faith

If Chugach were to request consent to its assignment of the contracts to the proposed G&T, and the consent were refused, Chugach could argue that the refusal was not in good faith. The parties to a contract have a duty of good faith and fair dealing. AS 45.01.203; Mitford v. De Lasala, 660 P.2d 1000 (Alaska 1983). A contractual right, however unconditional it might appear to be, must be exercised in good faith. See, Alyeska Pipeline Service Company v. Aurora Air Service, Inc., 604 P.2d 1090 (Alaska 1979) (unilateral right to terminate contract required to be exercised in good faith). The producers are obligated to act in good faith in deciding whether to consent to an assignment. If performance by the G&T would not impose any greater burden or risk on the producers than performance by Chugach, it would be difficult for the producers to argue that they have acted in good faith in withholding consent to the assignment. However, if the producers could find a basis for arguing that performance by the G&T instead of Chugach would disadvantage them, then they presumably would have a good faith basis for refusing consent.

Conclusion

If Chugach wished to assign the gas contracts to the proposed G&T without the producers' consent, there are a number of legal theories on which Chugach could rely were the producers to claim that such an assignment was a breach of contract. However, there is a plausible reply that the producers could make to each of these theories. If Chugach argues that consent is not required because the G&T is a "successor" to Chugach's business, the producers can respond that the G&T must be a successor to the entire business, not just the generation and transmission business. If Chugach argues that the UCC makes consent unnecessary because Chugach is assigning a benefit rather than delegating performance, the producer can respond that the "circumstances indicate the contrary" -- the parties intended a different result. If Chugach argues that withholding of consent would be in violation of the producers' duty of good faith, the producers may be able to devise a good faith objection to selling gas to the G&T (or take the position that defense of their economic interest in raising the price of the gas is not bad faith).

It is our opinion that, although sound legal arguments can be made that consent to an assignment of the gas contracts to the G&T is unnecessary or cannot be withheld, there is a substantial possibility that such an assignment would be held to be a breach of the contract, and the basis for the producers' terminating delivery of the gas. Because of the extraordinary value of these contracts to Chugach and its

customers, we believe that an assignment without consent of the producers would present an unacceptable business risk to Chugach, unless prior to the assignment Chugach obtained a declaratory judgment or a decision under the arbitration provisions of the contract that such assignment was permissible.

We hope that this opinion has responded to your question.

Sincerely,

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By: Robert R. Nordhaus

Railbelt Energy Needs May Double by 2001

Alaska's Rapid Population Growth Increases Electric Power Demands

By DEB DAVID

Although per capita energy consumption by Alaskans has not increased dramatically in this decade, the demand for electricity has risen due to unprecedented population growth. The precise demand for electricity in the long-term future continues to evade planners, but they are certain that Railbelt electrical requirements will continue to grow at a healthy rate.

A 20-year energy and peak load forecast summary compiled by the Alaska Systems Coordinating Council (ASCC) for the Railbelt (see Table 1) estimates peak energy usage will jump from 627.8 MW in 1983 to 1,474 MW in 2001. Considerable disagreement surrounds the peak load forecasts, which are invaluable in planning electrical generation needs.

One argument is the peak load forecasts indicate that the proposed $5.5-billion (estimated 1983 dollars), 1,600-MW Susitna hydroelectric project is too large. Another camp argues the power projections are unrealistically low.

In either case, at least some growth in demand is certain, and utilities will continue to be active users of construction services through the next decade.

Anchorage Area

Southcentral Alaska, particularly the Anchorage area, has exhibited phenomenal population growth in the first three years of the 1980s. The growth has spurred revised peak load forecasts and provided the impetus for large electrical construction projects.

According to the ASCC forecast, Anchorage Municipal Light and Power (ML&P) generated 663 gigawatts (1 GW = 1,000 MW) in 1982. Energy consumption by the publicly owned utility is expected to reach 717 GW this year and 786 GW in 1984. Table 1 shows similar energy usage increases through the year 2001.

Peak loads this winter at ML&P are expected to reach between 130 MW and 140 MW, compared to the peak last winter of 126 MW. (Peak loads are very weather-sensitive, surging during periods of extremely cold temperatures.) By the year 1991, peak loads will nearly equal the utility's current total generating capacity of 253 MW, which includes 16 MW of power purchased from the Alaska Power Authority's Eklutna hydro facility.

ML&P currently has more than 100-MW reserve capacity, a hefty 80-percent reserve capacity. From a national perspective, the reserve is extremely high, but in Anchorage, where the largest unit produces 100 MW, the reserve is not excessive. The loss or failure of ML&P's largest unit at peaking periods would annihilate its reserve generating capacity.

> 'ML&P's 80-percent reserve capacity is not excessive for Anchorage.'

A $122.5-million, 170-mile electrical intertie between Anchorage and Fairbanks utilities will help to preserve Anchorage's generating reserve during peaking, while enabling Fairbanks area utilities to draw from Anchorage's cheaper gas-fueled power. The project, sponsored by the Alaska Power Authority, is under construction and scheduled for completion in December 1984. (See November 1983 issue of AC&O for a complete report on the Anchorage-Fairbanks intertie project.)

The municipality currently operates seven main generating units — four simple-cycle combustion turbines, two of which are diesel-fired, and two combined cycle units which work in concert with one steam turbine running off of waste heat. ML&P is considering the installation of an additional 80-MW plant next spring at a nominal cost of $16 million, if a contract for sale of excess power can be arranged with Chugach Electric Cooperative Inc.

Chugach, which serves nearly 50,000 Anchorage area customers compared to ML&P's 19,000 center city customers, has a greater immediate need for energy. Under the arrangement being negotiated, Chugach would buy excess production from the new ML&P plant until the latter utility required the generation to meet its customers' needs. While Chugach and ML&P could mutually benefit from such an arrangement — Chugach would have additional power without up-front capital costs, while the municipality could reduce its capital costs by selling power — both utilities are prepared to proceed alone if an agreement is not reached.

ML&P would install the plant in 1985 instead of 1984 without a purchase agreement from Chugach. And the cooperative is pursuing plans to purchase ML&P new generation and to build its own new unit on a parallel track. Chugach, which pegs the total project cost at $26 million, would probably install a new unit at its Beluga station, near its cheapest source of gas from the Beluga field.

Chugach Electric also is planning to increase its generation by another 40 MW with a new unit at Bernice Lake. The $17-million project would include a new gas-driven turbine and 21 miles of 115-kV transmission line from the Nikiski plant to a Soldotna substation. The transmission line portion of the contract is estimated to cost between $7 million and $8 million. The Bernice Lake unit is scheduled for installation in 1984.

In 1986-87, Chugach is planning to boost its generation further by adding

two more units — an 80-MW unit at its Beluga station and a 40-MW unit at Bernice Lake. Specifications and site plans for the projects are being developed.

The increased generating capacity will help Chugach meet ASCC's forecasted energy demand of 2,304 GW in 1987. Table 1 indicates the cooperative's energy generation climbing from 1,765 GW in 1982, to 1,854 GW in 1983, to 1,966 GW in 1984, to 2,079 GW in 1985, and to 2,192 GW in 1986.

The two Anchorage-based utilities also are undertaking major transmission line upgrades this year. All Chugach-ML&P 35-kV transmission lines will be boosted to 115 kV by the end of 1983. The improvements also entail modifying the lines into a loop system to give all substations two-way feed. The utilities have been interconnected in the past, but the recent transmission upgrades will build extra reliability into both systems.

ML&P will spend about $14 million in capital improvements this year, and has budgeted $36 million, including $16 million for the proposed new electrical generating unit at its main plant, for 1984. According to Tom Stahr, general manager of ML&P, the utility also has a four-million-gallon fuel-oil storage facility on the drawing board for possible construction in the next few years.

Additional Chugach improvements include a complete upgrade of its Beluga station transmission lines to 230 kV over the next three or four years. The project, which will boost the current 115-kV line from Anchorage to the Kenai Peninsula, likely will involve a submarine cable crossing of Turnagain Arm.

In addition, the cooperative is planning two new bulk power substations in Anchorage — one in the western end of the city near Anchorage International Airport and one in east Anchorage at University Substation. Within the next five years, Chugach is planning an upgrade of its radial transmission lines to 138 kV in South Anchorage's Huffman Road residential area.

For the immediate future, the two utilities are confident they will keep pace with Southcentral Alaska's mounting energy needs. But with the proposed Susitna hydroelectric project still hanging and the inability to precisely predict long-term energy demands, the distant future is more uncertain.

Several proposals aimed at improving future capacity have been aired, including the merger of Chugach and ML&P. Stahr believes the proposal merits further study. A merger could result in up to $60 million in savings to consumers by avoiding duplications and improving planning capabilities, he said. Chugach's board of directors has chosen to accentuate cooperative, joint planning among the two utilities, avoiding any reorganization until such a move is deemed economically sound for Chugach customers, said Larry Markley, director of government and environmental affairs for Chugach.

Southcentral

The City of Seward, which purchases the bulk of its power from Chugach Electric, is planning an estimated $10-million transmission line upgrade

Teble 1†
Alaska Systems Coordinating Council
20-Year Energy and Peak-Load Forecast Summary
Railbelt Utilities

	AML&P [1]		CEA [1][2]		FMU [1]		GVEA [1]		Railbelt Total [3]	
Year	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)
1982	663	130.0	1765	372.3	141	28.2	360	67.9	2929	598.4
1983	717	140.0	1854	384.1	147	29.3	387	74.4	3105	627.8
1984	786	153.0	1966	408.4	153	30.5	416	81.4	3321	672.3
1985	844	162.0	2079	432.7	161	32.2	447	89.2	3531	716.1
1986	915	174.0	2192	457.0	165	32.9	480	97.7	3752	761.6
1987	986	186.0	2304	481.3	168	33.6	516	107.0	3974	807.9
1988	1053	197.0	2417	505.6	172	34.3	558	113.7	4200	850.6
1989	1126	209.0	2530	529.8	175	35.0	603	120.9	4434	894.7
1990	1200	221.0	2642	554.1	183	36.5	653	128.5	4678	940.1
1991	1270	232.0	2754	578.3	190	38.0	706	136.6	4920	984.9
1992	1322	241.0	2867	602.5	198	39.6	764	145.3	5151	1028.3
1993	1375	251.0	2979	626.8	206	41.1	826	154.4	5386	1073.3
1994	1431	261.0	3091	651.0	214	42.8	894	164.1	5630	1118.9
1995	1489	272.0	3203	675.2	225	45.0	967	174.5	5884	1166.7
1996	1549	283.0	3315	699.3	237	47.3	1046	185.5	6147	1215.1
1997	1621	294.0	3428	723.5	249	49.7	1131	197.2	6429	1264.4
1998	1697	306.0	3540	747.7	262	52.3	1223	209.6	6722	1315.6
1999	1775	318.0	3652	771.8	275	54.9	1323	222.8	7025	1367.5
2000	1858	331.0	3764	795.9	281	56.1	1432	236.9	7335	1419.9
2001	1944	344.0	3875	820.0	295	58.9	1548	251.8	7662	1474.7

Notes:
[1] Forecast from utility — 2 83
[2] CEA forecast includes Matanuska Electric Association, Homer Electric Association and Seward Electric requirements
[3] Eklutna is included in AML&P and CEA

Copper Valley Electric Association (CVEA) totals not included. CVEA has indicated (3/83) its growth will average two to five percent per year through 2001

AML&P = Anchorage Municipal Light & Power
CEA = Chugach Electric Association
FMU = Fairbanks Municipal Utilities System
GVEA = Golden Valley Electric Association, Fairbanks Area

† *Courtesy of Alaska Power Administration*

which will boost its power lines from 24 kV to 115 kV. In the design phase, the project is scheduled to begin in spring 1984, hinging on an appropriation from the Alaska Legislature.

Existing single-pole transmission lines are undersized for current loads, resulting in excess voltage loss, and hence, in energy loss. The current transmission system also leaves little room for any industrial load expansion at a time when Seward foresees increased electrical demands from industry.

A coal port to handle Usibelli coal being shipped to Korea's coal-fired electrical plants is scheduled to be built next fall in Seward. A ship lift currently is under construction and should be in use by the summer of 1984. The city also is expecting ancillary industries to spin off of these larger developments and an accompanying increase in residential energy demand.

Seward's current peak loading is estimated at 5 MW, a figure which is predicted to increase to 20 MW over the next 30 years. Ebasco Services Inc. currently is conducting a 30-year economic and load forecast to be used in designing the line and preparing construction contract drawings and documents.

To meet short-term energy needs, the city will have to rely on two of its three stand-by diesel generators to supplement the power it purchases from Chugach. The only power currently generated by the city utility consists of about 100 kW from a small hydro plant for use by the local hospital.

In the Glenallen-Valdez area, Cooper Valley Electric Association (CVEA) has no plans for immediate capital improvements. The system is powered by two diesel units — one producing 10 MW in Valdez and one producing 7 MW in Glenallen — in the winter months and the 12-MW Solomon Gulch hydro plant in the summer. Glenallen currently is not tied into the hydro facility and operates its diesel units year-round.

Dan Tegeler, CVEA office manager, hopes to see a transmission line built to tie Glenallen into the hydro system. But no immediate plans or funding exists.

Also in the future is the possibility of installing a pressure-reducing turbine which would tap the kinetic energy from the trans-Alaska pipeline, terminating in Valdez, and convert it to electricity. Such a system would replace Valdez's aging and expensive-to-operate diesel turbines.

The kinetic conversion talks have been held up by a lawsuit brought by the City of Valdez in an effort to take over CVEA. Tegeler said the case soon will be dismissed, opening the door for continuation of negotiations with the Alyeska Pipeline Service Co. over using the pipeline as a kinetic energy source.

Also in limbo is an Alaska Power Authority preliminary feasibility study to determine the lowest long-range cost of power for the area. The study, conducted by Stone-Webster, tentatively recommended a Silver Lake hydro plant transmitting electricity to Cordova and Valdez as the best of several options. The Power Authority is requesting funding in 1984 to complete the feasibility study.

Unlike most areas of the state, Cordova's peak electrical loads occur during the summer fishing season. The summer peak for 1983 reached 4.5 MW and is expected to climb to 5 MW in 1984.

About 1,200 Cordova area customers are served by the Cordova Electrical Cooperative Inc. A demand growth rate of between seven and eight percent a year has necessitated construction of a new power plant, which was about one-third complete in late October. The facility will increase CEC's current 7.5-MW generating capacity to 10 MW in time for next summer's fish processing surge.

The $3-million project, funded with money borrowed from the Rural Electric Association and the National Rural Utilities Cooperative Finance Corp., entails installing a new 2.5-MW diesel unit and relocating an existing 2.5-MW unit to the new power plant. The contract is being performed by Hales Construction & Associates of Seattle.

Two units — 1.9-MW and 2.6-MW Enterprise generators — will continue to operate at the existing Eyak Lake plant, but plans are to eventually phase out these older units and replace them with new unattended-operation models. CEC Manager Doug Bechtel said the move would reduce staffing levels and lower electricity rates.

Fairbanks Area

Fairbanks area utilities also will benefit from the Anchorage-Fairbanks intertie project currently under way. While demand is growing — new connects by Golden Valley Electric Association increased from 1,075 in 1981, to 1,319 in 1982 and an estimated 2,000 in

Table 2†
Juneau Area Net Generation and Peak Demand

Fiscal Year	System Net Generation MWH*	MWH % Annual Increase	Peak Demand MW	MW % Annual Increase
1970	58,266		12.4	
		9.5		11.3
1971	63,786		13.8	
		10.1		8.0
1972	70,255		14.9	
		7.8		4.0
1973	75,753		15.5	
		9.6		4.5
1974	83,059		16.2	
		13.9		9.9
1975	94,609		17.8	
		12.4		11.2
1976	106,296		19.8	
		5.6		3.0
1977	112,197		20.4	
		8.9		14.7
1978	122,218		23.4	
		9.2		-1.3
1979	133,457		23.1	
		7.2		13.4
1980	143,128		26.2	
		16.5		22.9
1981	166,700		32.2	
		21.7		29.2
1982	202,900		41.6	
		10.3**		
1983 (Oct-June)	174,754		40.1	
		12.4		-3.6
1983	228,600***		40.1	

* Includes Alaska Electric Light & Power and Glacier Highway Electric Association sales and losses
** Increase over same period in 1982
*** Estimate based on nine months' data
† *Courtesy of Alaska Power Administration*

1983 — utilities generally feel their generating capacities are adequate to cover power needs into the early 1990s.

GVEA currently has a generating capacity of 203 MW and expects peak loading this year to reach 72.7 MW, compared to a peak load of 67.9 MW in 1982. Peak load estimates for 1984 are 77 MW.

Power for the cooperative's 20,000 customers is generated with GVEA's main base plant at Healy, which produces 25 MW from coal-fired turbines. In addition, two diesel-driven generators each produce 65 MW at the North Pole peaking plant and several 7.5-MW generators operate at the Fairbanks Vhender complex.

While GVEA has no plans for large capital improvements in the short-term, the rising number of new connects will require continual power line expansions.

At Fairbanks Municipal Utility System (MUS), which is interconnected with GVEA and Fort Wainwright, the maximum generating capacity is 63 MW achieved with four coal-fired, steam turbines and two diesel turbines for back-up and for peaking. The system usually operates in the 30-MW to 50-MW range, and peaked at 28.2 MW in the winter of 1982-83. The utility expects a peak load this winter of 30 MW.

System growth due to new housing construction and commercial construction will require MUS to purchase an additional 25-MW coal-diesel unit, which will replace three 30-year-old steam turbines with a combined capacity of 17.5 MW. While the change will not greatly enhance generation ability, it will build more reliability into the system.

Southeastern

The Juneau area has experienced a significant increase in peak demand and energy consumption since 1980. In the spring of 1983 local utilities were required to furnish more than five million kwh of diesel-generated electricity to supplement power available from hydroelectric plants. According to the Alaska Power Administration, a division of the U.S. Department of Energy, the need for this diesel generation is expected to increase each spring as area reservoirs are drawn down until additional hydro power is available from Crater Lake.

An Alaska Power Administration study, "Juneau Area Power Market Analysis, Update of Load Forecasts," concludes that the Crater Lake addition to the Snettisham hydroelectric facility is needed, since from 40 to 70 percent of the project's output could be used the first year on-line in 1987. Firm energy from Crater Lake would be used by 1990 under a high-growth case, and by 1993 under a lower-growth scenario.

Construction of the Crater Lake project, estimated to cost $70 million, is expected to be contracted by the Army Corps of Engineers in the spring of 1984, with site construction beginning in early July. Under this construction schedule, the project would be on-line in February 1987.

Expected generating capacity from the addition is 27 MW, which represents a 60-percent increase in present generating capabilities in the Juneau area.

Crater Lake generating units will be housed in the Snettisham power plant, from which Juneau utilities draw the bulk of their power. Snettisham's current generating capacity is about 46 MW. In addition, Alaska Electric Light & Power (AEL&P) owns small hydro sites supplying about 6 MW. The privately owned utility added one diesel unit this year to give it nine stand-by diesel generators with a capacity of 17 MW.

Plans are to add two to three additional diesel generators a year to satisfy the hydroelectric deficit which currently exists. AEL&P also has requested a 17.5-MW oil-fired gas turbine which it would use strictly for stand-by in the event of a loss of load at Snettisham.

Potential hydroelectric sites beyond Crater Lake would include Long Lake Dam, Lake Dorothy, Sweetheart Creek and Speel River, according to the Alaska Power Administration. AEL&P has proposed a cooperative study to look into future development of generation facilities to ensure the best use of the area's hydro resources.

Table 2 shows the Juneau area net generation and peak demand and the trend toward increased demand and declining MW generation capacity.

In other Southeastern communities, the State of Alaska has invested millions of dollars in hydroelectric projects at Swan Lake, Tyee Lake and Terror Lake in an attempt to meet electrical demands in the long-term. (See articles on Southeastern hydro projects in this issue of AC&O.)

Electric power retains a commanding role in the development of Alaska, and will continue to spark construction activity for the foreseeable future. □

Bill proposes merger of Railbelt utilities

11 JAN 84

By DON HUNTER
Daily News reporter

An Anchorage legislator has sponsored a bill that would appropriate up to $800 million to pay off the combined debts of electric utilities from Fairbanks to Seward, if the utilities agreed to merge into one giant power cooperative.

Rep. Terry Martin, a Republican, says his proposal would eliminate duplication and waste by forging several administration-heavy utilities into one. Paying off the debt would cause electric bills to plummet, perhaps by as much as 50 percent, he said.

The heads of two of the utilities involved disagree, however.

Martin concedes the odds are slim lawmakers would agree to an $800 million grant to benefit only Railbelt electric utilities and ratepayers, especially in an era of declining oil revenues and increasing competition from other spending proposals.

But he says House Bill 475, introduced on Monday, may be a useful bargaining chip when budget time rolls around.

Martin said the legislature has routed millions of dollars into energy projects in rural Alaska and to hydroelectric projects in Southeast. He said the Sheffield administration will ask for an additional appropriation and legislative action necessary to issue revenue bonds for the Alaska Power Authority's so-called four-dam pool.

"I think it's just a real opportune time to make the statewide legislators and public aware that we in Southcentral have just as many problems as they do elsewhere," he said.

Martin also said his funding proposal — using $800 million in state money to pay off the accumulated debts of electric cooperatives and city utilities in Fairbanks, Anchorage, the Matanuska Valley and the Kenai Peninsula — is open to compromise.

"This isn't the gospel line, it's just a concept very general in its statements," he said.

The grant, as proposed in Martin's bill, would be awarded on the date the utilities merged into an "Alaska south-central electric cooperative." Martin said the new utility would merge Chugach Electric Association, Anchorage's Municipal Light and Power, Homer Electric Association, Matanuska Electric Association, Seward and Fairbanks city utilities and the Golden Valley Electric Association in Fairbanks.

The merger is essentially the same proposal advocated for more than a year by utilities critic Tom Staudenmaier. It would require affirmative votes of the members of the cooperatives and probably voters in Fairbanks, Anchorage and Seward.

Executives of two of the utilities, however, said there are serious drawbacks to the plan.

ML&P General Manager Tom Stahr said it is a mistake to believe that merging smaller companies into one larger company will reduce administrative overhead. Even though one company only has one manager, larger companies require more levels of administrative oversight, he said.

"You only have to look at larger government or larger private business operations to see that is so," Stahr said. "One man can run a small business, but for a big organization you have to have layer upon layer of administration. It's just wrong to say (merger) will reduce adminstrative costs."

Matanuska Electric General Manager Jim Palin said a low-interest state loan program for construction of new generators would be more valuable than the retroactive elimination of existing debt.

MQ
Management Quarterly
Spring 1983
Volume 24/No.2

MQ

Published by NRECA
Management Services
Department

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MANAGEMENT QUARTERLY is published in March, June, September and December by the Management Services Department of the National Rural Electric Cooperative Association, 1800 Massachusetts Avenue, N.W., Washington, D.C. 20036. Editorial and business correspondence should be sent to this address.

Subscriptions are $95 per year for 14 copies, or $42 for 5 copies, additional copies $6, mailed to individual employees and board members of a system. Individual subscriptions are available to firms that are not members of a cooperative at a rate of $20 per year. Rates for libraries and other institutions are $10 per year for domestic subscribers and $40 per year for foreign subscribers. Second class postage paid at Washington, D.C., and at additional mailing offices. Association does not stand for views expressed by the authors in articles issued in its publication, nor do the views expressed in MANAGEMENT QUARTERLY feature articles and reprints necessarily reflect those of the systems that subscribe to it.

ISSN 0025-1860

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The Management Quarterly Advisory Committee was selected from a wide cross section of cooperative board members, managers, and key employees from across the country. The Committee's purpose is to provide a link with our readers which enables us to know your thoughts, concerns and suggestions for MQ. Readers who have ideas to share are invited to contact the Advisory Committee member nearest them.

From the Editor

As MQ goes to press for this issue, the economy and the spring flowers in Washington seem to match—a bit bedraggled as yet but looking better than what we had a couple of months ago. Several of the indicators the experts use to gauge the general health of the economy indicate that our nation's financial malaise is improving a bit. So.....we hope you can breathe a tentative sigh of relief, put your feet up on your desk and take some time to enjoy an issue of MQ of which I am inordinately proud! Every writer has done a praiseworthy job and each article has immediately usable, readily acceptable ideas.

To switch gears a bit, those members of the Management Services staff who are in the field a lot have been comparing notes of late and several of us have become aware of a tendency (hopefully one that is not contagious) which might best be described as "the-doom-and-gloom-theory-of-management". To determine whether you or others around you may have adopted this world view, ask yourself these questions: Have I (or a member of the staff or of the board of directors) made the following—or a similar statement—recently?" "There's no point in trying to communicate with the members because they don't care about the cooperative and will just complain no matter what." "There's no point in trying to motivate employees because all they want is their paychecks and the union has our hands tied anyway." "There's no point in trying to give new ideas to the board because they never listen and they're all living in the past."

While any of these statements may be true in isolated instances, it is certain that they are not as universally applicable as the doom and gloom adherents would have us believe.

I've always found it fascinating that children can so easily build happy worlds for themselves--castles and spaceships and far-off places can be conjured in the twinkling of an eye.

Although one of the tasks of becoming an adult is to learn to live in the real world, the process seems to have left many of us with the ability to fantasize only harmful outcomes and to act as if they had already happened. ("Vague premonitions of disaster" is the name stress management experts give to this tendency.) Perhaps it's time that we took a cue from the little people around us (and from some very credible health practitioners as well) and began creating good mental scenarios for ourselves and the world around us. Whether we choose to call this exercise positive thinking, good mental health habits, meditation or some other form of "mental centering", people who use an upbeat, accepting way of processing reality seem to be highly successful at creating the reality they wish to participate in. It would be shortsighted at this point in our history to assume that wishing will make our problems disappear, but it surely will not help to abdicate our rights and responsibilities by creating a world for ourselves in which we are totally powerless to affect the outcomes.

June Bostic Lane

The Board Room

Is Bigger Better?

The economic realities of the 1980's mandate that we take a fresh look at the major objective of our rural electric systems and determine whether there are some other ways of meeting it. This article is a very important one. It is the result of some lengthy analytical efforts by CFC which clearly show the economic advantages of merging some of our smaller systems. Would a merger benefit your system? Only the thoughtful consideration of those most closely involved can determine the answer and it may well be time to examine the option.

By George King, Jr.

For many years there has been a great deal of discussion among rural electric program leaders regarding the advantages of merger or consolidation of the smaller REA-financed electric distribution systems, or at least a consolidation of certain functions into organizations of sufficient size to take advantage of the economies of scale inherent with higher volume. I do not know of a single merger study which has not shown cost savings to the ultimate consumer if two or more relatively small systems were consolidated. Such consolidations can eliminate duplication in staffing, equipment, headquarters facilities, top management and consulting services. Frequently, it can also result in long-term savings in distribution plant, all of which can reduce costs to the ultimate consumers. Yet, relatively few mergers or consolidations have taken place.

In this article we will explore some of the pros and cons regarding the merger of rural electric distribution systems in the 1980's, as compared to prior decades.

Obviously, the leaders in the rural electric program have long recognized the economies possible from working together to accomplish, as a group, what would have been impossible or impractical to accomplish as individuals. In the 1930's, when few farms and rural homes had electric service, those people without electricity generally recognized that it was not practical for each farm or home to buy, operate, and maintain its own small generating plant. The costs associated with the purchase and installation of a plant, with capacity adequate for more than intermittent service for a few lights and a radio, were too expensive. After taking into consideration the additional expenses for fuel, oil, maintenance, depreciation and replacement, very few decided it was economically feasible to install these "light plants".

Yet, by working together, rural residents organized REA-financed distribution systems, which are today providing electric service to 10 million persons. The key to the feasibility of these distribution systems was then and is today the spreading of certain fixed expenses over a wide base of consumers and KWh sales. Certainly, REA's low cost loans were important, as were non-profit operation, standardization of line materials and design and REA technical assistance. However, the keystone in the feasibility was the ability to take advantage of economies of scale made possible by consumers joining together to spread costs over a wider base.

The initial emphasis in the 30's and on into the 40's was not so much in creating systems of an "*optimum*" size, as it was on creating systems with *adequate* size to make the costs of service "feasible" or "affordable" at that time, and into the immediate future.

Local control was considered to be a special advantage. In the creation of almost every rural electric system, many local people spent countless hours without pay, calling on their neighbors to "sell" the concept of creating an electric cooperative, to "sign up" each farmer as an "applicant", to collect a $5.00 membership fee, and to obtain an easement to cross the farmer's land with poles and wires. Neighbors were more trustful of their friends, neighbors and acquaintances, and this created a tendency for smaller systems to be developed.

In the 1930's the creation of more jobs was also a major federal objective. The goal of the REA program was not only to help provide electric service in previously unserved areas, but also to provide jobs in manufacturing the transformers, wire and meters, and the myriad of other items necessary to build a system. At the local level, jobs were created in building the lines and wiring the farmsteads and in managing and operating the local distribution system. All of these developments were important in improving the nation's economic outlook in the years following the "great depression". Again, optimum size of the new systems was not a consideration. The objective was to get the job done, not to determine the "right" size.

REA did recognize the need for more than 300 or 3000 or even 30,000 consumers to spread the costs associated with owning and operating generating plants and transmission grids. Very few loans were granted for distribution systems to construct their own generating plants. In order to spread the costs across a wider base, generation and transmission cooperatives were organized by groups of distribution systems to build and operate these facilities.

Rural leaders across the nation also recognized the need for spreading the costs of such programs as job and safety training and other educational and legislative efforts over a wider base. As a result, statewide organizations were established. The National Rural Electric Cooperative Association (NRECA) and the National Rural Utilities Cooperative Finance Corporation (CFC), along with many regional supply organizations and data processing centers were created, each to fulfill a specific need, and each based upon the concept of spreading of the costs over a wide base in order to realize economies of scale.

For forty years or more following the creation of the rural electric program and most of the rural electric distribution systems, the individual systems continued to grow in number of consumers served, miles of line, and KWh sold. The efficiency of their operations improved with this growth. Although inflation has been a factor for most of the REA program's

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history, the economies of scale achieved by virtue of growth approximately offset the effect of inflation, at least through 1973, and the systems were able to provide service with little change in their electric rates. However, when the rate of inflation reached the double-digit levels of the early 1970's, costs began to increase much faster than any normal economies of scale could offset.

Exhibits I and II show the Trends in Total Operating Expenses for the composite of all REA-financed distribution systems from 1962 thru 1981. **Exhibit I** excludes the cost of wholesale power and thus shows the increases in efficiency for the distribution systems alone. **Exhibit II** includes wholesale power costs and is thus more representative of the consumer's view of his cost of electric service.

Under the declining cost conditions which prevailed until about 1970 to 1973, the consumers of most systems were content with the operation of their distribution systems, and there was little incentive for the consideration of mergers. There was very little dissatisfaction with the quality of the electric service and the rates charged. The systems' staffs enjoyed steadily increasing wage levels resulting from the systems' increased ability to pay, inflation and increased responsibilities. Under these conditions, most managers and directors had little incentive to consider changing long-standing organizational patterns. Everyone was happy: Why take any chances on the uncertainties which could be coincident with a merger?

However, later in the 1970's and continuing into the 80's, and as far into the future as we can now see, the fulfillment of management within electric systems has been eroded by inflation at rates greater than could be offset by increases in the systems' efficiency or economies of scale resulting from normal rates of growth. First, there was the substantial inflation in the interest rates on the loans to finance distribution plant extensions and replacements. The increase in the interest rates for new generating plants has been even more severe.

The cost of fuel for the generating plants has also been increasing, and the rate of increase went out the ceiling following the OPEC oil embargo and the deregulation of natural gas prices in the United States.

The cost of constructing new generating plants has also been increasing steadily due to ordinary inflation in the cost of labor and materials used, but especially due to the new federal and state requirements to reduce the pollution of the air and water, not simply to a reasonable level, but to the maximum degree afforded by the "state of the art", with no consideration for the effect these measures will have on the ultimate cost to the consumers.

Management of electric systems has been made more difficult by the need for repeated retail electric rate increases necessary to pay higher costs for trucks, gasoline, labor, materials and especially for wholesale power. The consumer's reaction to these "excessive" rate increases was to conserve in their use of electricity which, in turn, requires additional rate increases in order to realize sufficient revenues to cover the fixed costs of owning the required facilities, while selling a lower volume of KWh's.

It would be foolhardy to suggest that the merger or consolidation of systems into larger units would offset all these increased costs. However, at a time when member dissatisfaction with rapidly increasing rates is rampant, it would seem appropriate to explore all possible ways

EXHIBIT I

TRENDS IN TOTAL OPERATING EXPENSES

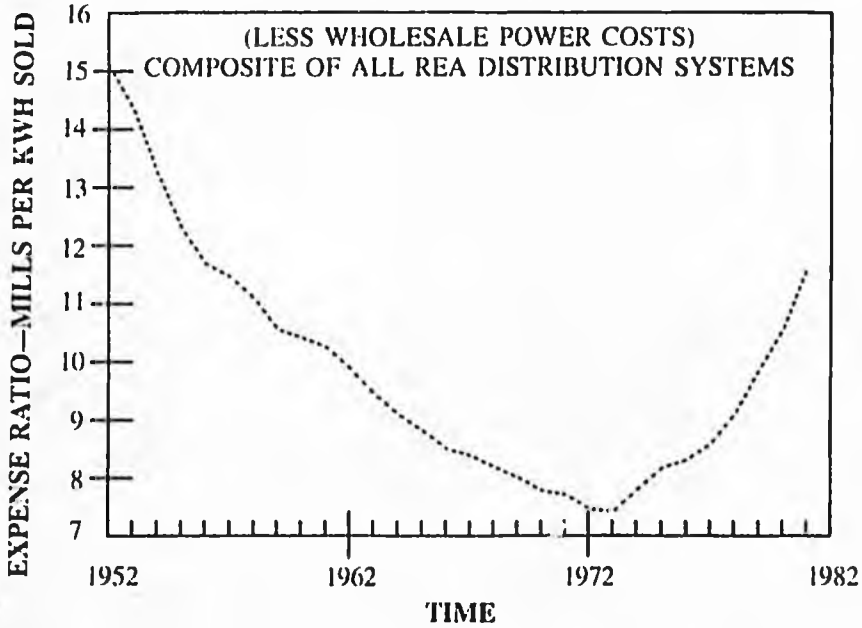
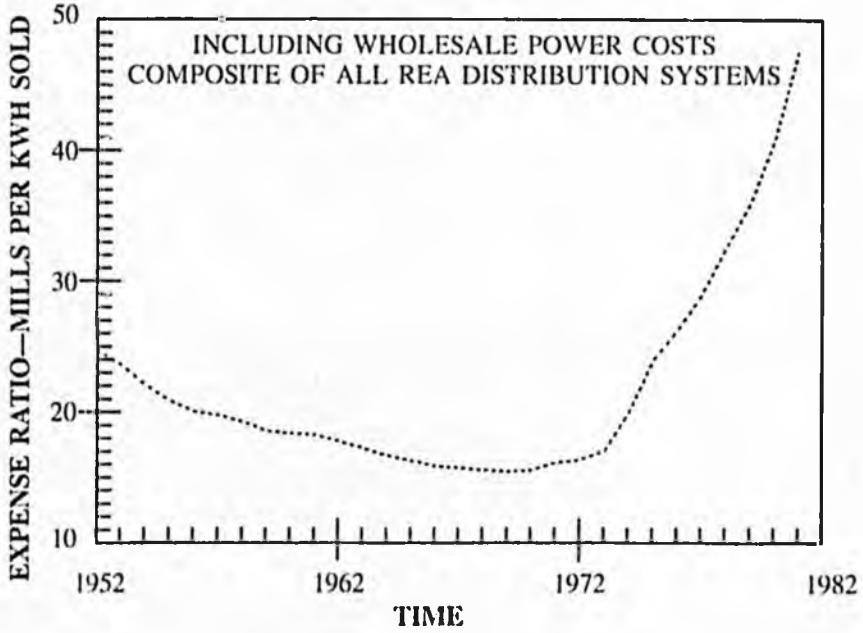


EXHIBIT II

TRENDS IN TOTAL OPERATING EXPENSES



to limit the need for rate increases as much as possible and thus minimize consumer dissatisfaction and conservation, which only serves to compound the problem, from the point of view of the distribution system.

Merger Statistics

For a decade or more I have explored various approaches to quantify the potential savings possible from the merger of two or more electric distribution systems. A wealth of actual cost *data* is available in the REA Annual Statistical Reports and this data has served as the base for my studies. The problem is in converting the *data* to useful *information*.

Each year since 1974 I have run the CFC Key Ratio Trend Analysis to extract, among other things, the trends of various expense ratios as posted by the more than 900 REA-financed electric distribution systems. For the purposes of the merger studies I have concentrated on the following two ratios of the 39 included in the KRTA:

1. Administrative And General Expenses (Expressed as a percent of Total Utility Plant)
2. Total Operating Expenses Less Power Costs (Expressed in Mills per KWH sold)

The logic is that most savings which can be realized in the short-term (one to three years) would tend to be charged to Administrative and General Expenses. Over the long-term, (five to ten years) savings should be realized in many additional areas, so we look to Total Operating Expenses.

Wholesale power costs are normally subtracted out of Total Operating Expenses, since it is unlikely that the cost of wholesale power could be reduced appreciably as the result of a merger.

In one facet of the KRTA, all distribution systems were divided into one of 11 groups, depending upon the number of consumers they served, and the expense ratios of the systems in each group were then sorted into descending order to determine the median ratio value for each size group, which was taken as representative of the costs for systems in that size group.

The actual median values for each size group were then smoothed by substituting values as computed from a formula derived by least squares techniques from the actual values. **Table 1** shows the median data-points for Administrative and General Expenses for each of the years from 1975 thru 1981, together with "adjusted" values as computed from the formula derived as the best "fit" of the actual values. **Table 2** shows the same data for Total Operating Expenses Less Wholesale Power Costs.

The data shown on Table 1 can be better visualized by reference to **Graph I**, in which one can see how sharply the median expense values for 1981 fall from 4.62% (of Total Utility Plant) for systems in the 0 to 1,000 consumer size group to 2.88% for systems in the 9,000 to 12,000 size group, and then decline more slowly to 2.42% for systems in the 30,000 and over consumer-size group.

Graph II shows the same data for 1981, but points and the best-fit curve have been added to show data for the year 1975. **Graph III** shows the 1975 and 1981 actual data points and the best-fit curves for Total Operating Expenses, less wholesale power costs.

If you examine Graphs II and III carefully, you will note a considerably greater increase from 1975 to 1981 in the adjusted expense ratios for the smallest size-group as compared to the largest. For example, on Graph 3 the Total Operating Expenses for the smallest size-group went from 14.08 mills per KWh in 1975 to 29.42 mills in 1981, while the comparable value for the largest size-group increased from 8.26 mills to 10.87 mills over the same time span.

In order to show this more clearly, we rearranged the adjusted values from Tables 1 and 2 into time series for each

TABLE 1

ACTUAL AND SIZE ADJUSTED MEDIAN RATIO VALUES
for
ADMINISTRATIVE AND GENERAL EXPENSES—KRTA RATIO 13
(EXPRESSED AS A PERCENT OF TOTAL UTILITY PLANT)

MEDIAN EXPENSE RATIO BY SIZE RANGE

Year		Midpoint	Under to 1,000 — 500	1,000 to 2,499 — 1,750	2,500 to 3,999 — 3,250	4,000 to 5,999 — 5,000	6,000 to 8,999 — 7,500	9,000 to 11,999 — 10,500	12,000 to 14,999 — 13,500	15,000 to 19,999 — 17,500	20,000 to 24,999 — 22,500	25,000 to 29,999 — 27,500	30,000 and Over — 45,000	r^2 Value
1975	Actual		3.78	3.03	2.82	2.71	2.70	2.45	2.44	2.31	2.26	2.19	2.16	
	Adjusted		3.65	3.12	2.89	2.74	2.61	2.50	2.43	2.35	2.28	2.22	2.09	.977
1976	Actual		3.71	3.21	2.99	2.81	2.81	2.59	2.62	2.44	2.44	2.33	2.31	
	Adjusted		3.68	3.21	3.00	2.86	2.74	2.64	2.57	2.50	2.43	2.38	2.25	.984
1977	Actual		4.00	3.16	3.09	2.95	2.96	2.67	2.64	2.44	2.51	2.38	2.38	
	Adjusted		3.96	3.42	3.18	3.02	2.88	2.77	2.68	2.60	2.53	2.47	2.33	.820
1978	Actual		4.06	3.23	3.20	3.03	2.92	2.71	2.72	2.57	2.61	2.39	2.45	
	Adjusted		3.92	3.40	3.17	3.02	2.88	2.78	2.70	2.62	2.55	2.49	2.35	.962
1979	Actual		4.80	3.45	3.31	3.08	2.93	2.70	2.70	2.63	2.65	2.50	2.45	
	Adjusted		4.40	3.67	3.56	3.16	2.98	2.84	2.74	2.64	2.55	2.47	2.31	.940
1980	Actual		4.56	3.54	3.56	3.10	3.06	2.80	2.73	2.67	2.59	2.52	2.38	
	Adjusted		4.29	3.63	3.34	3.15	2.99	2.86	2.76	2.67	2.58	2.51	2.35	.991
1981	Actual		4.62	3.68	3.38	3.15	3.15	2.88	2.89	2.75	2.63	2.47	2.42	
	Adjusted		4.49	3.76	3.45	3.24	3.06	2.92	2.82	2.72	2.62	2.55	2.38	.984

NOTE: The formula was found for the curve (with the form of $Y = A\ X^B$) which best fit the actual data points for each year's data. The adjusted values were computed from the derived formula. The r^2 (coefficient of determination) indicates the quality of the fit, with $r^2 = 1.00$ indicating a perfect fit.

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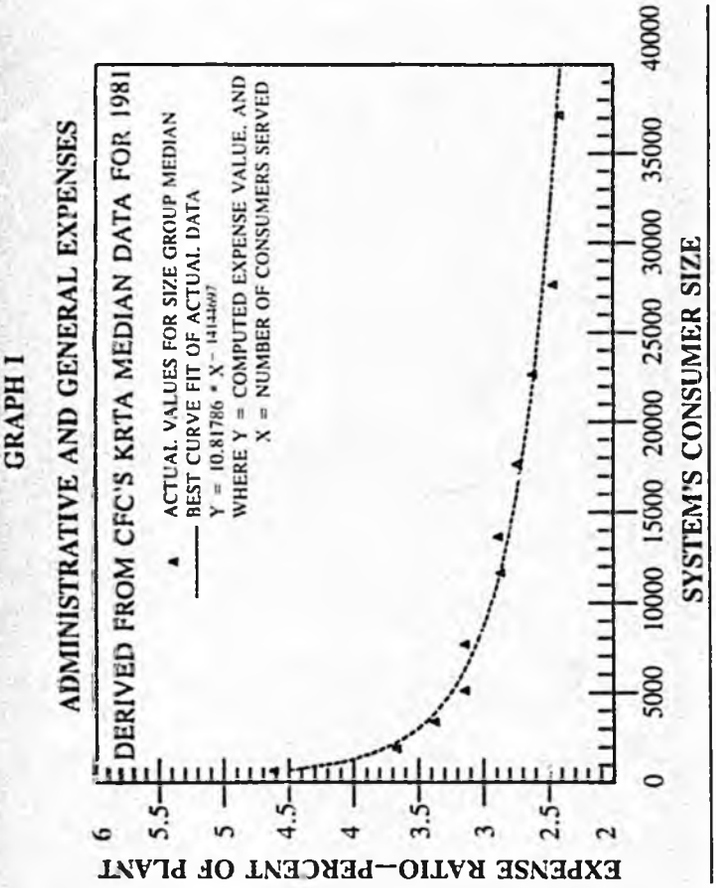
for
ADMINISTRATIVE AND GENERAL EXPENSES—KRTA RATIO 13
(EXPRESSED AS A PERCENT OF TOTAL UTILITY PLANT)
MEDIAN EXPENSE RATIO BY SIZE RANGE

Year		Under 1,000 to 1,000	1,000 to 2,499	2,500 to 3,999	4,000 to 5,999	6,000 to 8,999	9,000 to 11,999	12,000 to 14,999	15,000 to 19,999	20,000 to 24,999	25,000 to 29,999	30,000 and Over	r^2 Value
	Midpoint	500	1,750	3,250	5,000	7,500	10,500	13,500	17,500	22,500	27,500	45,000	
1975	Actual	3.78	3.03	2.82	2.71	2.70	2.45	2.44	2.31	2.26	2.19	2.16	
	Adjusted	3.65	3.12	2.89	2.74	2.61	2.50	2.43	2.35	2.28	2.22	2.09	.977
1976	Actual	3.71	3.21	2.99	2.81	2.81	2.59	2.62	2.44	2.44	2.33	2.31	
	Adjusted	3.68	3.21	3.00	2.86	2.74	2.64	2.57	2.50	2.43	2.38	2.25	.984
1977	Actual	4.00	3.16	3.09	2.95	2.96	2.67	2.64	2.44	2.51	2.38	2.28	
	Adjusted	3.96	3.42	3.18	3.02	2.88	2.77	2.68	2.60	2.53	2.47	2.33	.829
1978	Actual	4.06	3.23	3.20	3.03	2.92	2.71	2.72	2.57	2.61	2.39	2.45	
	Adjusted	3.92	3.40	3.17	3.02	2.88	2.78	2.70	2.62	2.55	2.49	2.35	.962
1979	Actual	4.80	3.45	3.31	3.08	2.93	2.70	2.79	2.63	2.65	2.50	2.45	
	Adjusted	4.40	3.67	3.36	3.16	2.98	2.84	2.74	2.64	2.55	2.47	2.31	.940
1980	Actual	4.38	3.54	3.38	3.10	3.06	2.80	2.73	2.67	2.59	2.52	2.38	
	Adjusted	4.29	3.63	3.34	3.15	2.99	2.86	2.76	2.67	2.58	2.51	2.35	.991
1981	Actual	4.62	3.68	3.38	3.15	3.15	2.88	2.89	2.75	2.63	2.47	2.42	
	Adjusted	4.49	3.76	3.45	3.24	3.06	2.92	2.82	2.72	2.62	2.55	2.38	.984

NOTE: The formula was found for the curve (with the form of $Y = A \cdot X^B$) which best fit the actual data points for each year's data. The adjusted values were computed from the derived formula. The r^2 (coefficient of determination) indicates the quality of the fit, with $r^2 = 1.00$ indicating a perfect fit.



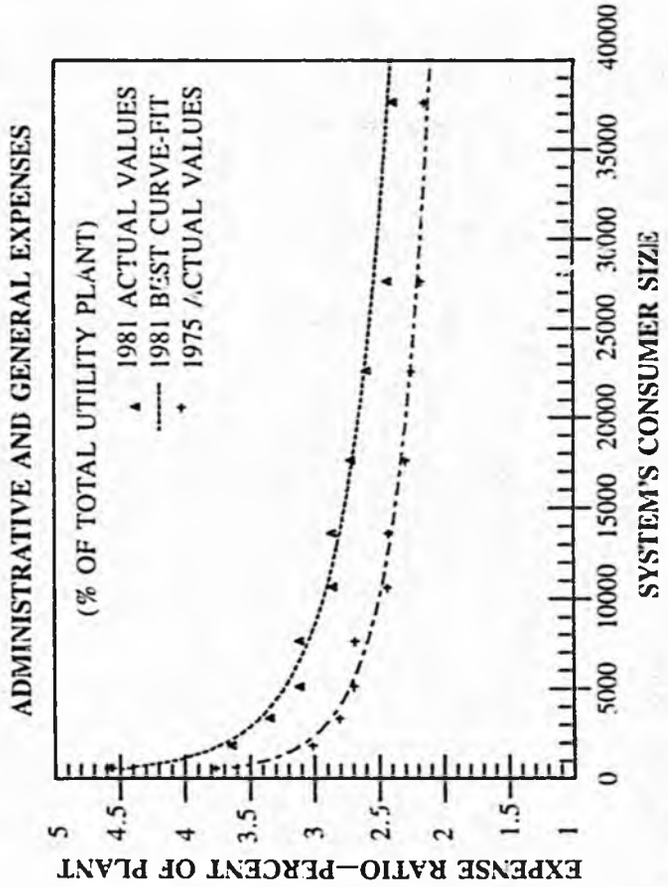


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TABLE 2

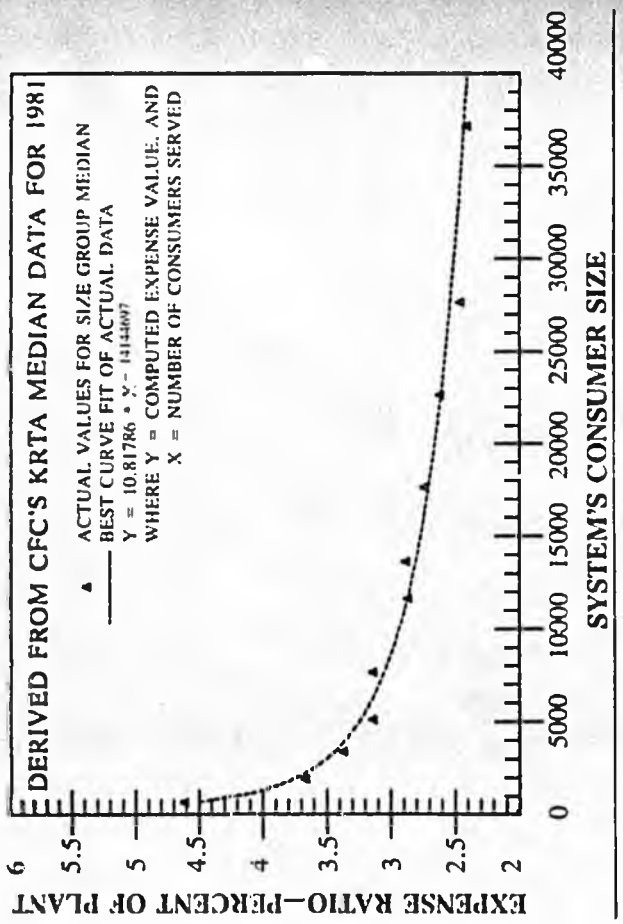
ACTUAL AND SIZE ADJUSTED MEDIAN RATIO VALUES
for
TOTAL OPERATING EXPENSES (LESS WHOLESALE POWER COSTS)—KRTA RATIO 20
(EXPRESSED IN MILLS PER KWH SOLD)

MEDIAN EXPENSE RATIO BY SIZE RANGE

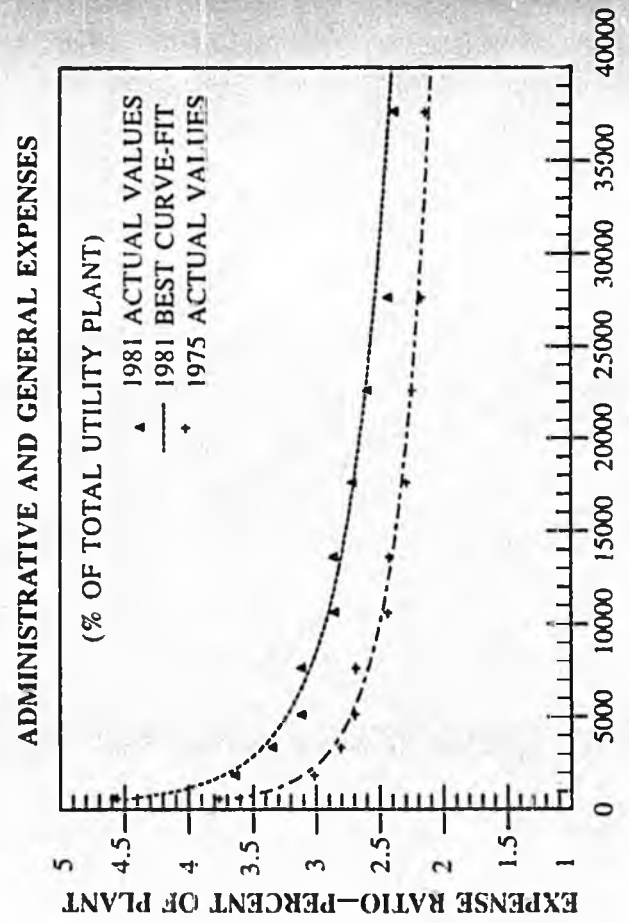
Year		Under to 1,000	1,000 to 2,499	2,500 to 3,999	4,000 to 5,999	6,000 to 8,999	9,000 to 11,999	12,000 to 14,999	15,000 to 19,999	20,000 to 24,999	25,000 to 29,999	30,000 and Over	r² Value
	Midpoint	500	1,750	3,250	5,000	7,500	10,500	13,500	17,500	22,500	27,500	45,000	
1975	Actual	15.57	11.34	10.12	10.13	10.41	10.14	10.16	9.31	9.24	8.60	8.25	
	Adjusted	14.08	12.14	11.28	10.72	10.22	9.82	9.53	9.24	8.97	8.76	8.26	.870
1976	Actual	14.93	11.42	9.88	10.13	10.41	9.96	10.24	9.49	9.09	9.21	8.65	
	Adjusted	13.51	11.89	11.16	10.69	10.25	9.91	9.66	9.41	9.17	8.98	8.54	.840
1977	Actual	15.49	11.94	10.74	10.79	10.47	10.38	10.53	9.51	8.71	9.02	8.71	
	Adjusted	14.49	12.48	11.60	11.02	10.50	10.09	9.79	9.49	9.21	8.99	8.48	.920
1978	Actual	16.43	12.12	11.03	11.05	11.08	10.98	10.97	9.77	9.92	9.17	9.01	
	Adjusted	15.39	13.22	12.26	11.64	11.08	10.64	10.32	10.00	9 70	9.46	8.91	.920
1979	Actual	18.48	12.95	11.47	11.92	11.95	11.87	11.67	10.89	11.23	10.03	10.15	
	Adjusted	16.14	14.05	13.12	12.51	11.96	11.52	11.21	10.89	10.59	10.36	9.81	.800
1980	Actual	21.28	13.66	12.96	13.03	13.01	12.64	12.14	11.44	11.17	10.42	10.05	
	Adjusted	18.60	15.61	14.31	13.47	12.73	12.14	11.72	11.30	10.91	10.61	9.90	.870
1981	Actual	24.39	13.68	14.64	15.14	13.97	13.15	13.62	12.38	12.60	11.30	11.24	
	Adjusted	20.42	17.13	15.71	14.79	13.97	13.33	12.87	12.41	11.98	11.65	10.87	.780

NOTE: The formula was found for the curve (with the form of $Y = A X^B$) which best fit the actual data points for each year's data. The adjusted values were computed from the derived formula. The r^2 (coefficient of determination) indicates the quality of the fit, with $r^2 = 1.00$ indicating a perfect fit.

GRAPH I



GRAPH II



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ACTUAL AND SIZE ADJUSTED MEDIAN RATIO VALUES
for
TOTAL OPERATING EXPENSES (LESS WHOLESALE POWER COSTS)—KRTA RATIO 20
(EXPRESSED IN MILLS PER KWH SOLD)

Year		MEDIAN EXPENSE RATIO BY SIZE RANGE										
		Under to 1,000	1,000 to 2,499	2,500 to 3,999	4,000 to 5,999	6,000 to 8,999	9,000 to 11,999	12,000 to 14,999	15,000 to 19,999	20,000 to 24,999	25,000 to 29,999	30,000 and Over	r^2 Value
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1975	Actual	15.57	11.34	10.12	10.1[illegible]	10.41	10.14	10.16	9.31	9.24	8.60	8.25	
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	Adjusted	13.51	11.89	11.16	10.69	10.25	9.91	9.66	9.41	9.17	8.98	8.54	.840
1977	Actual	15.49	11.94	10.74	10.79	10.47	10.38	10.53	9.51	8.71	9.02	8.71	
	Adjusted	14.49	12.48	11.60	11.02	10.50	10.09	9.79	9.49	9.21	8.99	8.48	.920
1978	Actual	16.43	12.12	11.03	11.05	11.08	10.98	10.97	9.77	9.92	9.17	9.01	
	Adjusted	15.39	13.22	12.26	11.64	11.08	10.64	10.32	10.00	9.70	9.46	8.91	.920
1979	Actual	18.48	12.95	11.47	11.92	11.95	11.87	11.67	10.89	11.23	10.03	10.15	
	Adjusted	16.14	14.05	13.12	12.51	11.96	11.52	11.21	10.89	10.59	10.36	9.81	.800
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	Adjusted	20.42	17.13	15.71	14.79	13.97	13.33	12.87	12.41	11.98	11.65	10.87	.780

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consumer size-group. These values, adjusted by the formula for the best curve-fit, are plotted on **Graph IV** and **Graph V**.

Conclusions

On **Graphs IV and V** we can clearly see that not only are the unit costs of operating a small system higher than for larger systems, but the rate of increase with time is considerably greater for small systems.

Administrative and General Expenses for the smallest size-group were 65.6% greater than for the largest size-group in 1975 and 86.7% higher in 1981. If they continue to increase at the same rates, the smallest group's costs will be 116% greater than the largest systems costs by 1991.

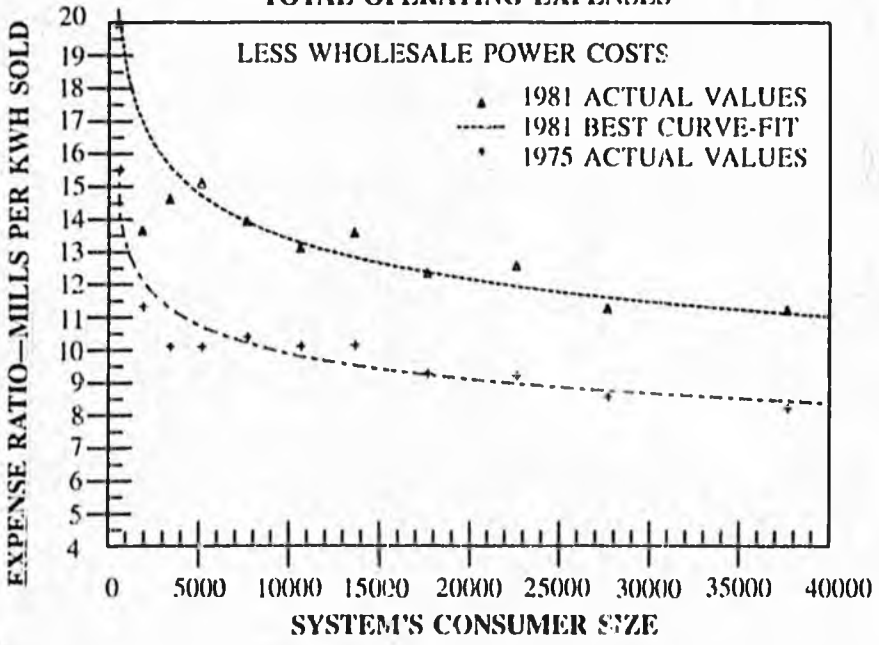
Total Operating Expenses (less power costs) for the smallest size-group were 60.1% higher than similar unit costs for the largest size-group in 1975, 84.2% higher in 1981 and projected to be 106% higher by 1991.

At best, the cost of electric service is skyrocketing, due to many causes. The consumers react in many ways, including conservation in their use of electricity and a retreat to alternative sources of energy such as wood-burning stoves and solar water heaters. This reduces the volume of KWh sales over which the system spreads the fixed costs on the facilities built to make electric service available. This reduced volume only creates the need for additional rate increases.

Potential short-run savings computed to result from the merger or consolidation of one or more "typical" systems in the 100 to 2500 consumer size-group to create a system in the 30,000 or larger size-group could statistically be $44.00 per consumer per year from Administrative and General Expenses alone.

GRAPH III

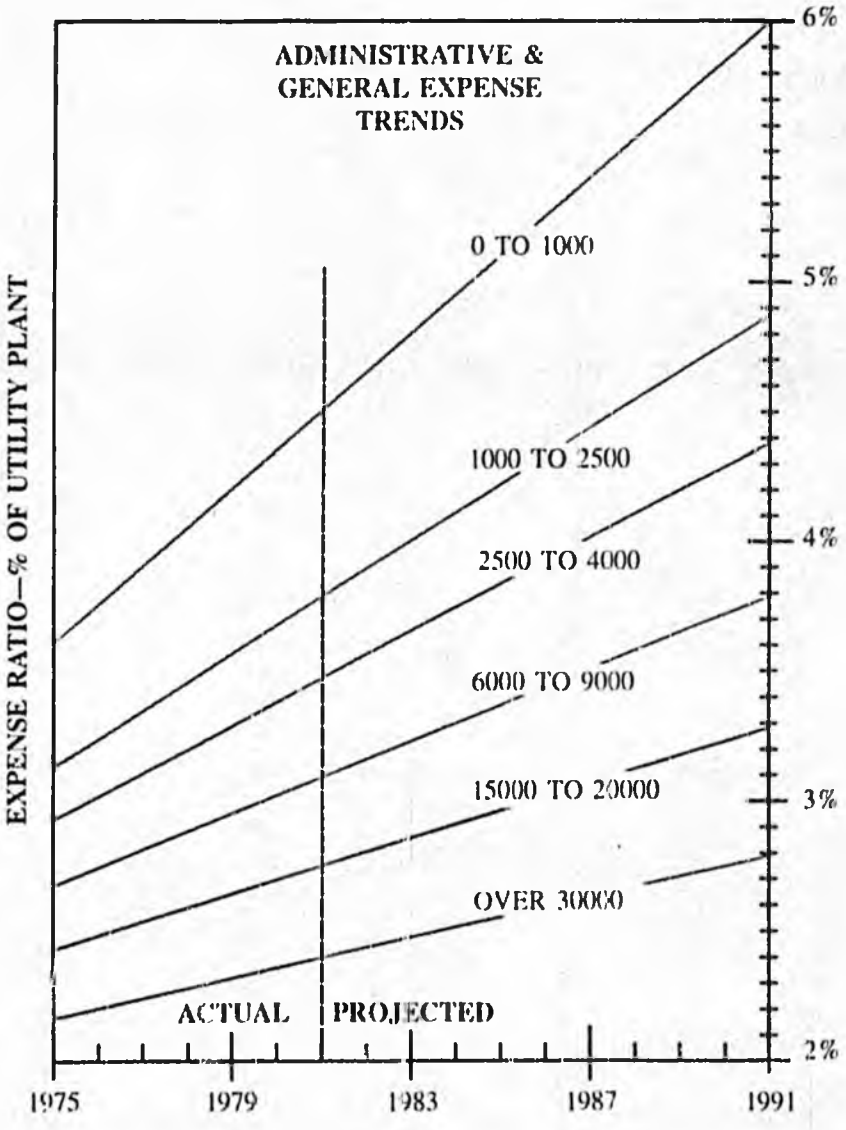
TOTAL OPERATING EXPENSES



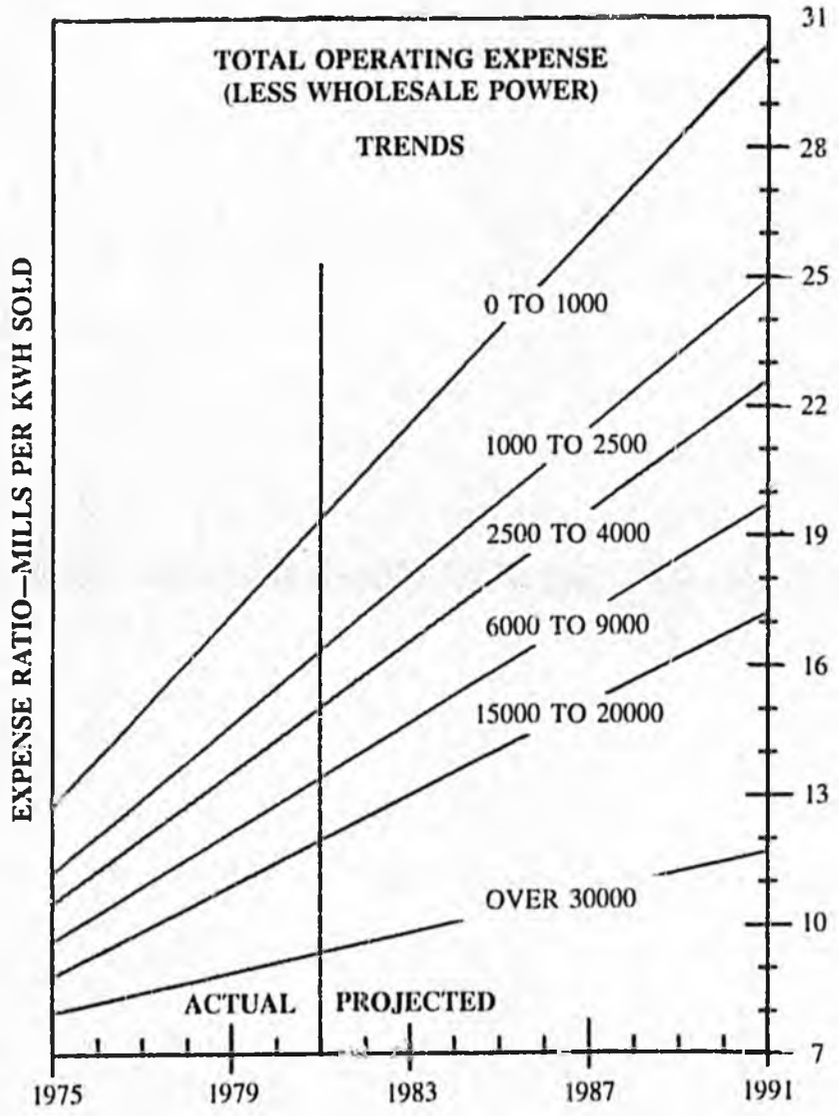
Potential savings in Total Operating Expenses are computed at $93.31 per consumer per year in the short-run and per $201.77 consumer per year by 1991. These calculations assume 5% per year growth in KWh sold and 2.75% per year growth in the number of consumers served.

From the "average consumer's" viewpoint (from a purely financial stance), it would be difficult to defend a board's reluctance to consider merger, considering the potential savings from merger and the growing concern over continuing increases in the cost of electric service.

GRAPH IV



GRAPH V



If no other values were to be considered, the financial health and viability of the RE program would likely be better if we entered the 1990's with a smaller but more efficient group of larger distribution systems serving the area and consumers now served by over 900 systems. Distasteful as this might be to managers, members of the boards, auditors, attorneys and key members of the staff who might face considerable uncertainties during the merger and readjustment period, a merger should be preferred to an attempted sellout.

THE OTHER SIDE of the proposition has many good points for consideration! First, there has always been considerable "labor of love" among the directors, managers, board members and key staff of the smaller electric systems. There seems to be a greater sense of pride in being an integral part of a small organization which is vital to the "home town". As the organization grows and the individuals become a smaller part of the whole, the sense of importance and pride diminishes somewhat and individuals tend to demand other forms of compensation to replace the values lost.

Rural people were not generally pleased with the forced consolidation of the rural schools into county school systems. The economies which were promised either did not come about, or were lost in the increases in costs caused by inflation and additional layers of bureaucracy.

Many small rural communitities are already suffering from being by-passed by the interstate highway system and the migration of jobs and people and services to metropolitan areas. A reduction in payroll resulting from a reduction in or a relocation of, the local RE system's operation would have an important effect on a small community which may now consider the RE system one of its largest payrolls.

The economies of scale obvious from the study of existing systems in different size groups cannot be achieved immediately following a merger. In all probability, costs would even be higher in the first year as a result of the costs of accomplishing the merger, and a degree of confusion would exist as all the people involved become accustomed to different roles and different procedures.

Individuals would undoubtedly be apprehensive for their future, and may resent their new title, assignments, and supervisors. If this doubt and uncertainty and apprehension is allowed to build within the staff, they can either consciously or subconsciously sabotage efforts to effect economies and truly "merge" the organizations into one.

Although much of the savings from merger must result from the elimination of duplication in jobs, it is essential that the people involved have assurance that their careers will not suddenly end and that the vested interest of loyal, capable, dedicated employees will not be ignored simply in order to pursue economies of scale. To a large degree, elimination of duplication must result from attrition. In other words, it must be a process of evolution, not revolution.

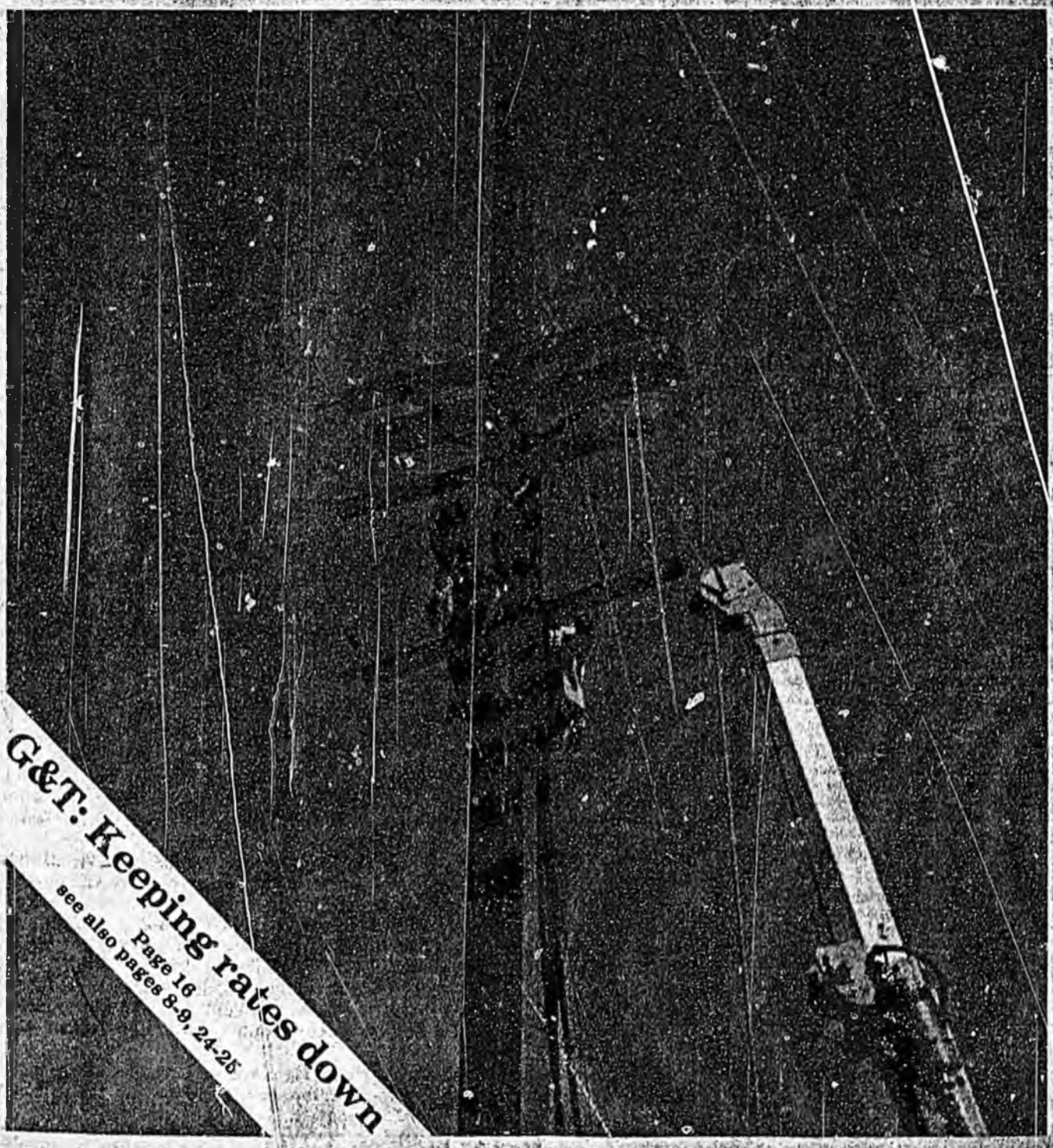
In addition to all its other problems, it appears that the management of many RE systems must look forward to solving the dilemma of "to merge or not to merge" or "how to successfully merge" in the 1980's.

Alaska Ruralite®

POSTMASTER: Change of address & PO Form 3579 to be sent to Matanuska Electric Assn., Inc., PO Box 1148, Palmer, AK 99645.

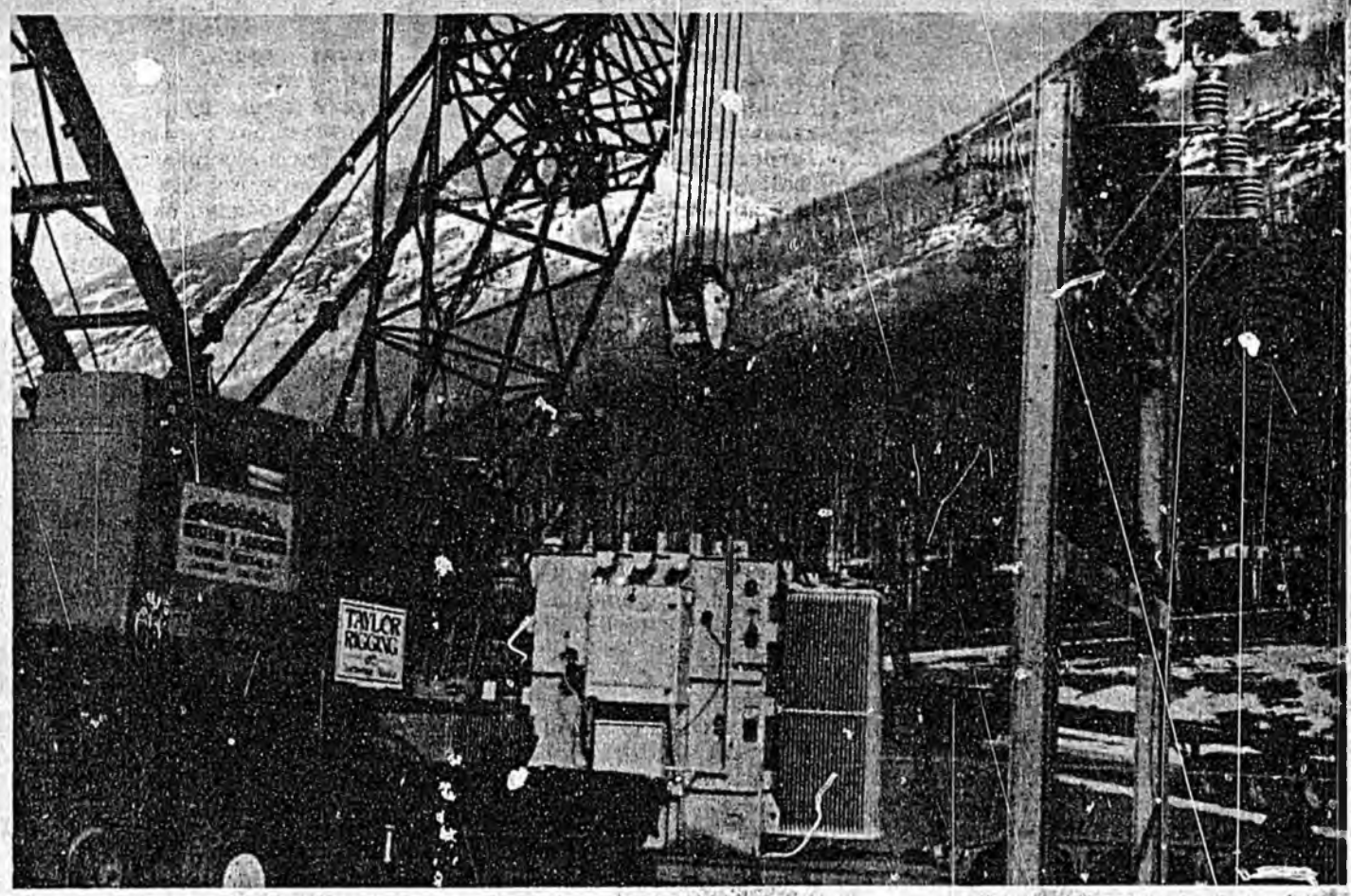
March 1984

Matanuska



G&T: Keeping rates down

Page 16
see also pages 8-9, 24-25



G&T: To keep rate increases reasonable and give a voice to MEA members

What is a "G&T"? What does it mean to me, the average consumer? Where is MEA going to get electricity for our members? What say does MEA have over our power supply? What will it cost—or will it lower my electric bill?

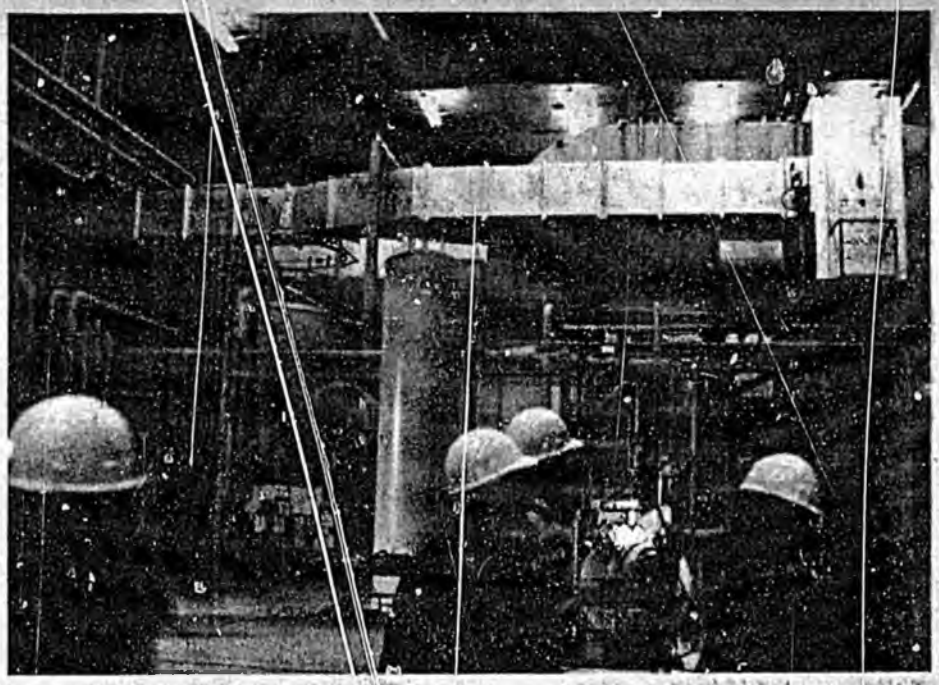
These questions need to be asked by all the consumers in south central Alaska—and the factual answers to these questions need to be given to the public by the management and boards of directors of all the utilities in the region.

Matanuska Electric Association—and its Board of Directors, its Member Advisory Committee and its management staff—the whole organziation has very carefully examined this *major* issue from every angle. We have some answers, and we want our members to know what they are.

A "G&T" is a Generation and Transmission Cooperative. It is a special kind of utility organization, which has as its only purpose to provide power generation and the high voltage transmission of that power into each local utility's power lines—into each utility's electrical distribution system.

The "G" in "G&T" is for Generation and the "T" is for Transmission. This special kind of utility organization is also called a Cooperative, because its members are each local utilities *cooperating* together, planning together, deciding together, building together and maintaining together the power generating plants and the high power transmission lines coming from those plants into each local utility system, which are necessary to meet the electricity needs of consumers.

Why shouldn't each individual utility "do its own thing," build its own power plants and transmission lines? Utility rates could skyrocket! Decades ago in this country, both lending institutions and government agencies came to the solid conclusion that electric consumers would not be able to pay the price of duplicated and unnecessary electrical plants being built side by side by competing private electric utilities. A new 60-megawatt gas turbine generating set costs about $20,000,000 today. Today, it is still true



ight, the Beluga generating ation.

pposite: A new transformer is stalled at a substation.

hat it is cheaper for our consumers, for all consuners, if utilities jointly purchase just the amount of ower generating supply that is needed to meet consumers' needs, with an appropriate reserve supply, ather than each utility building its own power lants. Years ago in south central Alaska, the federal overnment, through the Rural Electrification dministration (REA) decided only Chugach Electric ssociation would be given loan funds to build G&T lant, and that they would sell power wholesale to EA and Homer Electric Association (HEA) down n the Kenai Peninsula, as well as providing power to heir own consumers. That arrangement stands oday.

Unfortunately, that "arrangement" leaves MEA nd HEA OUT of the big decisions about new generation and transmission facilities. Those BIG decisions can cost our consumers more on their monthly lectric bill, or less, depending on whether or not the as turbine generating unit purchased is a reliable nit. We want to be at the decision-making table, on behalf of our consumers' best interests, when those decisions are made. A Generation and Transmission Cooperative would have a Board of Directors making those millions-of-dollars-worth of decisions, which would include representatives from each local participating utility. Now we pay and have no say at the table where those decisions are made . . . by Chugach Electric Association.

In total fairness, Chugach has made some good decisions for us. We have enjoyed the benefit of some very inexpensive gas which runs Chugach turbines across Knik Arm, because Chugach negotiated those cheap gas contracts in past years. Our wholesale power rate has been less because of that decision. On the other hand, other decisions were made on the last couple of generating and transmission projects which we believe may have made our wholesale power rate a little higher than it need have been. MEA had no say in either set of those decisions on behalf of our members. A G&T, with Chugach, Matanuska and Homer Electric Associations as members, would put all the cooperatives in that decision-making process.

The three REA cooperatives all believe that some sort of regional generating and transmission orgnization should be formed. MEA and our sister co-op, HEA, believe it should be a G&T. REA, itself, believes that a G&T should be formed, as they have been formed and functioning for years, among and between REA distribution cooperative utilities in the South 48. And REA believes that an Alaskan G&T should include Chugach, as well as the generation and transmission plant they have built to meet the needs of Chugach, MEA and HEA, with loans from REA and which we have all helped pay for.

The *bottom line*, in dollars and cents to the average residential consumer based on Chugach's most recent rate increase filing, would be an immediate average annual savings on their electric bills of approximately $55 for the Chugach member, $60 for the HEA member and $75 for the MEA member. These average annual savings are based upon the fact that a potential reduction in revenue requirements from electric rates of $7,600,000 could be saved, if Chugach put its generating and transmission facilities into a G&T. These savings are based on lower interest coverage required for a G&T than for a Distribution Cooperative, as which Chugach is classified now by REA. The interest coverage level required to be collected from consumers has always historically been significantly lower for a Generation and Transmission Cooperative, than for a Distribution Cooperative. While some observers expect both those interest coverage levels to be increased by the federal government, nearly everyone acknowledges that there will likely be savings for consumers if a G&T is formed, especially in the immediate future.

"This may be the most important decision MEA has faced in the last ten years," announced MEA's Manager of Administration, John Parker, at the January meeting of our Member Advisory Committee. We agree. In our next issue of *Ruralite* we will have more about the G&T Cooperative issue.

APRIL 12, 1984

TO: JOHN

FROM: KEN

RE: HB 475 APPROPRIATING 800 MILLION DOLLARS TO THE THE ALASKA SOUTHCENTRAL ELECTRIC COOPERATIVE.

HOUSE BILL 475 MAKES AN APPROPRIATION TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FOR PAYMENT AS A GRANT TO THE ALASKA SOUTHCENTRAL ELECTRIC COOPERATIVE. THE MONEY WOULD BE USED BY THE COOPERATIVE TO DISCHARGE ALL THE DEBTS OF THE COMPANIES, ASSOCIATIONS AND COOPERATIVES THAT MERGED TO FORM ONE UTILITY.

QUESTIONS:

1. HOW WAS THE FIGURE 800 MILLION DOLLARS ARRIVED AT ?

2. WHAT ARE THE ADVANTAGES TO MERGING ALL UTILITIES IN THE RAILBELT AREA ?

3. WHAT TYPE OF STUDIES DO YOU HAVE TO SUPPORT THESE ADVANTAGES ?

4. HAVE YOU HAD A MANAGEMENT PLAN LAYED OUT THAT WOULD SHOW EFFICIENCY YET SAVE THE CONSUMER MONEY ?

5. WHY WOULD THIS MERGER PROPOSAL BE BETTER FOR CONSUMERS THAN ANY OF THE OTHERS PROPOSED FOR UTILITIES IN THE RAILBELT AREA ?

6. WITH 800 MILLION DOLLARS THE STATE COULD ENSURE THE CONSTRUCTION OF THE WATANA PHASE OF THE SUSITNA PROJECT. DO YOU FEEL THE MERGER IS MORE IMPORTANT THAN SUSITNA ?

7. IN THE PAST, THE MERGING OF SMALL UTILITIES HAS RESULTED IN SAVINGS FOR THE CONSUMER. BUT IN THE MERGER OF LARGE UTILITIES THIS IS NOT ALWAYS THE CASE. WHY DO YOU THINK SUCH A LARGE MERGER WOULD WORK IN THE RAILBELT AREA ?

Railbelt Energy Needs May Double by 2001

Rep. Terry Martin
Pouch V-State Capitol Bldg.
Anchorage, AK 9911

Alaska's Rapid Population Growth Increases Electric Power Demands

By DEB DAVID

Although per capita energy consumption by Alaskans has not increased dramatically in this decade, the demand for electricity has risen due to unprecedented population growth. The precise demand for electricity in the long-term future continues to evade planners, but they are certain that Railbelt electrical requirements will continue to grow at a healthy rate.

A 20-year energy and peak load forecast summary compiled by the Alaska Systems Coordinating Council (ASCC) for the Railbelt (see Table 1) estimates peak energy usage will jump from 627.8 MW in 1983 to 1,474 MW in 2001. Considerable disagreement surrounds the peak load forecasts, which are invaluable in planning electrical generation needs.

One argument is the peak load forecasts indicate that the proposed $5.5-billion (estimated 1983 dollars), 1,600-MW Susitna hydroelectric project is too large. Another camp argues the power projections are unrealistically low.

In either case, at least some growth in demand is certain, and utilities will continue to be active users of construction services through the next decade.

Anchorage Area

Southcentral Alaska, particularly the Anchorage area, has exhibited phenomenal population growth in the first three years of the 1980s. The growth has spurred revised peak load forecasts and provided the impetus for large electrical construction projects.

According to the ASCC forecast, Anchorage Municipal Light and Power (ML&P) generated 663 gigawatts (1 GW = 1,000 MW) in 1982. Energy consumption by the publicly owned utility is expected to reach 717 GW this year and 786 GW in 1984. Table 1 shows similar energy usage increases through the year 2001.

Peak loads this winter at ML&P are expected to reach between 130 MW and 140 MW, compared to the peak last winter of 126 MW. (Peak loads are very weather-sensitive, surging during periods of extremely cold temperatures.) By the year 1991, peak loads will nearly equal the utility's current total generating capacity of 253 MW, which includes 16 MW of power purchased from the Alaska Power Authority's Eklutna hydro facility.

ML&P currently has more than 100-MW reserve capacity, a hefty 80-percent reserve capacity. From a national perspective, the reserve is extremely high, but in Anchorage, where the largest unit produces 100 MW, the reserve is not excessive. The loss or failure of ML&P's largest unit at peaking periods would annihilate its reserve generating capacity.

> 'ML&P's 80-percent reserve capacity is not excessive for Anchorage.'

A $122.5-million, 170-mile electrical intertie between Anchorage and Fairbanks utilities will help to preserve Anchorage's generating reserve during peaking, while enabling Fairbanks area utilities to draw from Anchorage's cheaper gas-fueled power. The project, sponsored by the Alaska Power Authority, is under construction and scheduled for completion in December 1984. (See November 1983 issue of AC&O for a complete report on the Anchorage-Fairbanks intertie project.)

The municipality currently operates seven main generating units — four simple-cycle combustion turbines, two of which are diesel-fired, and two combined cycle units which work in concert with one steam turbine running off of waste heat. ML&P is considering the installation of an additional 80-MW plant next spring at a nominal cost of $16 million, if a contract for sale of excess power can be arranged with Chugach Electric Cooperative Inc.

Chugach, which serves nearly 50,000 Anchorage area customers compared to ML&P's 19,000 center city customers, has a greater immediate need for energy. Under the arrangement being negotiated, Chugach would buy excess production from the new ML&P plant until the latter utility required the generation to meet its customers' needs. While Chugach and ML&P could mutually benefit from such an arrangement — Chugach would have additional power without up-front capital costs, while the municipality could reduce its capital costs by selling power — both utilities are prepared to proceed alone if an agreement is not reached.

ML&P would install the plant in 1985 instead of 1984 without a purchase agreement from Chugach. And the cooperative is pursuing plans to purchase ML&P new generation and to build its own new unit on a parallel track. Chugach, which pegs the total project cost at $26 million, would probably install a new unit at its Beluga station, near its cheapest source of gas from the Beluga field.

Chugach Electric also is planning to increase its generation by another 40 MW with a new unit at Bernice Lake. The $17-million project would include a new gas-driven turbine and 21 miles of 115-kV transmission line from the Nikiski plant to a Soldotna substation. The transmission line portion of the contract is estimated to cost between $7 million and $8 million. The Bernice Lake unit is scheduled for installation in 1984.

In 1986-87, Chugach is planning to boost its generation further by adding

two more units — an 80-MW unit at its Beluga station and a 40-MW unit at Bernice Lake. Specifications and site plans for the projects are being developed.

The increased generating capacity will help Chugach meet ASCC's forecasted energy demand of 2,304 GW in 1987. Table 1 indicates the cooperative's energy generation climbing from 1,765 GW in 1982, to 1,854 GW in 1983, to 1,966 GW in 1984, to 2,079 GW in 1985, and to 2,192 GW in 1986.

The two Anchorage-based utilities also are undertaking major transmission line upgrades this year. All Chugach-ML&P 35-kV transmission lines will be boosted to 115 kV by the end of 1983. The improvements also entail modifying the lines into a loop system to give all substations two-way feed. The utilities have been interconnected in the past, but the recent transmission upgrades will build extra reliability into both systems.

ML&P will spend about $14 million in capital improvements this year, and has budgeted $36 million, including $16 million for the proposed new electrical generating unit at its main plant, for 1984. According to Tom Stahr, general manager of ML&P, the utility also has a four-million-gallon fuel-oil storage facility on the drawing board for possible construction in the next few years.

Additional Chugach improvements include a complete upgrade of its Beluga station transmission lines to 230 kV over the next three or four years. The project, which will boost the current 115-kV line from Anchorage to the Kenai Peninsula, likely will involve a submarine cable crossing of Turnagain Arm.

In addition, the cooperative is planning two new bulk power substations in Anchorage — one in the western end of the city near Anchorage International Airport and one in east Anchorage at University Substation. Within the next five years, Chugach is planning an upgrade of its radial transmission lines to 138 kV in South Anchorage's Huffman Road residential area.

For the immediate future, the two utilities are confident they will keep pace with Southcentral Alaska's mounting energy needs. But with the proposed Susitna hydroelectric project still hanging and the inability to precisely predict long-term energy demands, the distant future is more uncertain.

Several proposals aimed at improving future capacity have been aired, including the merger of Chugach and ML&P. Stahr believes the proposal merits further study. A merger could result in up to $60 million in savings to consumers by avoiding duplications and improving planning capabilities, he said. Chugach's board of directors has chosen to accentuate cooperative joint planning among the two utilities, avoiding any reorganization until such a move is deemed economically sound for Chugach customers, said Larry Markley, director of government and environmental affairs for Chugach.

Southcentral

The City of Seward, which purchases the bulk of its power from Chugach Electric, is planning an estimated $10-million transmission line upgrade

Table 1†
Alaska Systems Coordinating Council
20-Year Energy and Peak-Load Forecast Summary
Railbelt Utilities

	AML&P [1]		CEA [1] [2]		FMU [1]		GVEA [1]		Railbelt Total [3]	
Year	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)	Energy (GWH)	Winter Peak (MW)
1982	663	130.0	1765	372.3	141	28.2	360	67.9	2929	598.4
1983	717	140.0	1854	384.1	147	29.3	387	74.4	3105	627.8
1984	786	152.0	1966	408.4	153	30.5	416	81.4	3321	672.3
1985	844	162.0	2079	432.7	161	32.2	447	89.2	3531	716.1
1986	915	174.0	2192	457.0	165	32.9	480	97.7	3752	761.6
1987	986	186.0	2304	481.3	168	33.6	516	107.0	3974	807.9
1988	1053	197.0	2417	505.6	172	34.3	558	113.7	4200	850.6
1989	1126	209.0	2530	529.8	175	35.0	603	120.9	4434	894.7
1990	1200	221.0	2642	554.1	183	36.5	653	128.5	4678	940.1
1991	1270	232.0	2754	578.3	190	38.0	706	136.6	4820	984.9
1992	1322	241.0	2867	602.5	198	39.5	764	145.3	5151	1028.3
1993	1375	251.0	2979	626.8	206	41.1	826	154.4	5386	1073.3
1994	1431	261.0	3091	651.0	214	42.8	894	164.1	5630	1118.9
1995	1489	272.0	3203	675.2	225	45.0	967	174.5	5884	1166.7
1996	1549	283.0	3315	699.3	237	47.3	1046	185.5	6147	1215.1
1997	1621	294.0	3428	723.5	249	49.7	1131	197.2	6429	1264.4
1998	1697	306.0	3540	747.7	262	52.3	1223	209.6	6722	1315.6
1999	1775	318.0	3652	771.8	275	54.9	1323	222.8	7025	1367.5
2000	1858	331.0	3764	795.9	281	56.1	1432	236.9	7335	1419.9
2001	1944	344.0	3875	820.0	295	58.9	1548	251.8	7662	1474.7

Notes:
[1] Forecast from utility — 2/83
[2] CEA forecast includes Matanuska Electric Association, Homer Electric Association and Seward Electric requirements
[3] Eklutna is included in AML&P and CEA

Copper Valley Electric Association (CVEA) totals not included. CVEA has indicated (3/83) its growth will average two to five percent per year through 2001

AML&P = Anchorage Municipal Light & Power
CEA = Chugach Electric Association
FMU = Fairbanks Municipal Utilities System
GVEA = Golden Valley Electric Association, Fairbanks Area

† *Courtesy of Alaska Power Administration*

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which will boost its power lines from 24 kV to 115 kV. In the design phase, the project is scheduled to begin in spring 1984, hinging on an appropriation from the Alaska Legislature.

Existing single-pole transmission lines are undersized for current loads, resulting in excess voltage loss, and hence, in energy loss. The current transmission system also leaves little room for any industrial load expansion at a time when Seward foresees increased electrical demands from industry.

A coal port to handle Usibelli coal being shipped to Korea's coal-fired electrical plants is scheduled to be built next fall in Seward. A ship lift currently is under construction and should be in use by the summer of 1984. The city also is expecting ancillary industries to spin off of these larger developments and an accompanying increase in residential energy demand.

Seward's current peak loading is estimated at 5 MW, a figure which is predicted to increase to 20 MW over the next 30 years. Ebasco Services Inc. currently is conducting a 30-year economic and load forecast to be used in designing the line and preparing construction contract drawings and documents.

To meet short-term energy needs, the city will have to rely on two of its three stand-by diesel generators to supplement the power it purchases from Chugach. The only power currently generated by the city utility consists of about 100 kW from a small hydro plant for use by the local hospital.

In the Glenallen-Valdez area, Cooper Valley Electric Association (CVEA) has no plans for immediate capital improvements. The system is powered by two diesel units — one producing 10 MW in Valdez and one producing 7 MW in Glenallen — in the winter months and the 12-MW Solomon Gulch hydro plant in the summer. Glenallen currently is not tied into the hydro facility and operates its diesel units year-round.

Dan Tegeler, CVEA office manager, hopes to see a transmission line built to tie Glenallen into the hydro system. But no immediate plans or funding exists.

Also in the future is the possibility of installing a pressure-reducing turbine which would tap the kinetic energy from the trans-Alaska pipeline, terminating in Valdez, and convert it to electricity. Such a system would replace Valdez's aging and expensive-to-operate diesel turbines.

The kinetic conversion talks have been held up by a lawsuit brought by the City of Valdez in an effort to take over CVEA. Tegeler said the case soon will be dismissed, opening the door for continuation of negotiations with the Alyeska Pipeline Service Co. over using the pipeline as a kinetic energy source.

Also in limbo is an Alaska Power Authority preliminary feasibility study to determine the lowest long-range cost of power for the area. The study, conducted by Stone-Webster, tentatively recommended a Silver Lake hydro plant transmitting electricity to Cordova and Valdez as the best of several options. The Power Authority is requesting funding in 1984 to complete the feasibility study.

Unlike most areas of the state, Cordova's peak electrical loads occur during the summer fishing season. The summer peak for 1983 reached 4.5 MW and is expected to climb to 5 MW in 1984.

About 1,200 Cordova area customers are served by the Cordova Electrical Cooperative Inc. A demand growth rate of between seven and eight percent a year has necessitated construction of a new power plant, which was about one-third complete in late October. The facility will increase CEC's current 7.5-MW generating capacity to 10 MW in time for next summer's fish processing surge.

The $3-million project, funded with money borrowed from the Rural Electric Association and the National Rural Utilities Cooperative Finance Corp., entails installing a new 2.5-MW diesel unit and relocating an existing 2.5-MW unit to the new power plant. The contract is being performed by Hales Construction & Associates of Seattle.

Two units — 1.9-MW and 2.6-MW Enterprise generators — will continue to operate at the existing Eyak Lake plant, but plans are to eventually phase out these older units and replace them with new unattended-operation models. CEC Manager Doug Bechtel said the move would reduce staffing levels and lower electricity rates.

Fairbanks Area

Fairbanks area utilities also will benefit from the Anchorage-Fairbanks intertie project currently under way. While demand is growing — new connects by Golden Valley Electric Association increased from 1,075 in 1981, to 1,319 in 1982 and an estimated 2,000 in

Table 2†
Juneau Area Net Generation and Peak Demand

Fiscal Year	System Net Generation MWH*	MWH % Annual Increase	Peak Demand MW	MW % Annual Increase
1970	58,266		12.4	
		9.5		11.3
1971	63,786		13.8	
		10.1		8.0
1972	70,255		14.9	
		7.8		4.0
1973	75,753		15.5	
		9.6		4.5
1974	83,059		16.2	
		13.9		9.9
1975	94,609		17.8	
		12.4		11.2
1976	106,296		19.8	
		5.6		3.0
1977	112,197		20.4	
		8.9		14.7
1978	122,218		23.4	
		9.2		−1.3
1979	133,457		23.1	
		7.2		13.4
1980	143,128		26.2	
		16.5		2.9
1981	160,700		32.2	
		21.7		29.2
1982	202,000		41.6	
		10.3**		
1983 (Oct-June)	174,754		40.1	
		12.4		−3.6
1983	228,000***		40.1	

* Includes Alaska Electric Light & Power and Glacier Highway Electric Association sales and losses
** Increase over same period in 1982
*** Estimate based on nine months' data
† *Courtesy of Alaska Power Administration*

Rep. Terry Martin
State Capitol, Pouch V
Juneau, AK 99811

1983 — utilities generally feel their generating capacities are adequate to cover power needs into the early 1990s.

GVEA currently has a generating capacity of 203 MW and expects peak loading this year to reach 72.7 MW, compared to a peak load of 67.9 MW in 1982. Peak load estimates for 1984 are 77 MW.

Power for the cooperative's 20,000 customers is generated with GVEA's main base plant at Healy, which produces 25 MW from coal-fired turbines. In addition, two diesel-driven generators each produce 65 MW at the North Pole peaking plant and several 7.5-MW generators operate at the Fairbanks Vhender complex.

While GVEA has no plans for large capital improvements in the short-term, the rising number of new connects will require continual power line expansions.

At Fairbanks Municipal Utility System (MUS), which is interconnected with GVEA and Fort Wainwright, the maximum generating capacity is 63 MW achieved with four coal-fired, steam turbines and two diesel turbines for back-up and for peaking. The system usually operates in the 30-MW to 50-MW range, and peaked at 28.2 MW in the winter of 1982-83. The utility expects a peak load this winter of 30 MW.

System growth due to new housing construction and commercial construction will require MUS to purchase an additional 25-MW coal-diesel unit, which will replace three 30-year-old steam turbines with a combined capacity of 17.5 MW. While the change will not greatly enhance generation ability, it will build more reliability into the system.

Southeastern

The Juneau area has experienced a significant increase in peak demand and energy consumption since 1980. In the spring of 1983 local utilities were required to furnish more than five million kwh of diesel-generated electricity to supplement power available from hydroelectric plants. According to the Alaska Power Administration, a division of the U.S. Department of Energy, the need for this diesel generation is expected to increase each spring as area reservoirs are drawn down until additional hydro power is available from Crater Lake.

An Alaska Power Administration study, "Juneau Area Power Market Analysis, Update of Load Forecasts," concludes that the Crater Lake addition to the Snettisham hydroelectric facility is needed, since from 40 to 70 percent of the project's output could be used the first year on-line in 1987. Firm energy from Crater Lake would be used by 1990 under a high-growth case, and by 1993 under a lower-growth scenario.

Construction of the Crater Lake project, estimated to cost $70 million, is expected to be contracted by the Army Corps of Engineers in the spring of 1984, with site construction beginning in early July. Under this construction schedule, the project would be on-line in February 1987.

Expected generating capacity from the addition is 27 MW, which represents a 60-percent increase in present generating capabilities in the Juneau area.

Crater Lake generating units will be housed in the Snettisham power plant, from which Juneau utilities draw the bulk of their power. Snettisham's current generating capacity is about 46 MW. In addition, Alaska Electric Light & Power (AEL&P) owns small hydro sites supplying about 6 MW. The privately owned utility added one diesel unit this year to give it nine stand-by diesel generators with a capacity of 17 MW.

Plans are to add two to three additional diesel generators a year to satisfy the hydroelectric deficit which currently exists. AEL&P also has requested a 17.5-MW oil-fired gas turbine which it would use strictly for stand-by in the event of a loss of load at Snettisham.

Potential hydroelectric sites beyond Crater Lake would include Long Lake Dam, Lake Dorothy, Sweetheart Creek and Speel River, according to the Alaska Power Administration. AEL&P has proposed a cooperative study to look into future development of generation facilities to ensure the best use of the area's hydro resources.

Table 2 shows the Juneau area net generation and peak demand and the trend toward increased demand and declining MW generation capacity.

In other Southeastern communities, the State of Alaska has invested millions of dollars in hydroelectric projects at Swan Lake, Tyee Lake and Terror Lake in an attempt to meet electrical demands in the long-term. (See articles on Southeastern hydro projects in this issue of AC&O.)

Electric power retains a commanding role in the development of Alaska, and will continue to spark construction activity for the foreseeable future. □

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