

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7063 HOUSE LABOR & COMMERCE



Alaska Conservation Foundation

430 West 7th Avenue, Suite 215 • Anchorage, AK 99501 • (907) 276-1917 • Fax 274-4145

20 March 1992

Rep. David Finkelstein
Chairman
House Labor and Commerce Committee
Alaska House of Representatives
State Capital
Juneau, AK 99801

Dear Rep. Finkelstein,

I am writing you today to ask that you hold HB 219, A revision of the Alaska Nonprofit Code. I write this in my professional capacity as Program Director of Alaska Conservation Foundation, an Alaska nonprofit corporation; as President of the Board of Alaska Community Share, a coalition of Alaskan nonprofits; and also as adjunct instructor at Alaska Pacific University in nonprofit organization management.

ACF's legal counsel and I have read the code and accompanying comments from the Alaska Code Revision Commission and find them to be very complex and potentially troublesome. We simply need more time to review these in order to fully understand their implications on nonprofit organizations operating in Alaska.

We have several fundamental concerns. The first is a lack of any explanation of the need to rewrite the code in the first place. As I understand, laws are rewritten when something is broken or needs improvement. I am unaware of what needs to be fixed in the nonprofit code that requires a wholesale rewriting. There is a tone in the Code Commission comments implying that nonprofits are somehow unaccountable to the public because they lack a connection to a "market" and face no competition. And, as a result, the Code Commission has determined that an incredible layer of new bureaucratic requirements is necessary to ensure this accountability. While I agree that some form of reporting to the state is necessary, I think the level of restrictions and requirements set forth in this bill are overly burdensome. An example is requirements for items to be in the Articles of Incorporation that are typically found in bylaws. Another is the requirement to provide access to the membership list by any member who requests it. A third is an unclear restriction on the ability to make loans without charging a market rate of return. Another is the prohibition against accumulating surplus asset accounts that would seem to prohibit endowment funds.

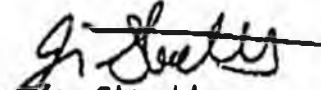


The assumption that nonprofits are somehow not accountable, an assumption we disagree with but won't discuss in detail in this letter, has led the commission to establish two levels of nonprofits. We don't fully understand the reasoning behind this division between nonprofits and seek an explanation of why two categories are needed.

A third major problem is the extensive use of for-profit mechanisms to control nonprofit behavior. Much of this code was lifted from the for-profit code and it does not apply. An example is the ability for derivative lawsuits. In this example, members are treated the same as stockholders, which is simply not the case. Nonprofits do not pay any return to any member, so they are fundamentally different than shareholders. There are other examples of this incompatible cross-over from the for-profit code that need to be researched for their relevance and implications. We simply do not have the time to do this or to present a comprehensive analysis prior to the hearing scheduled for March 24.

I would request that the bill be sent to a working group so that all our questions and concerns can be addressed. And I would be more than willing to assist this group in their work.

Sincerely,


Jim Stratton
Program Director



101 East 9th Ave. #10 B
Anchorage, Alaska 99501

The Association For Stranded Rural Alaskans In Anchorage

(907) 277-7043
Serving Rural Alaskans

March 23, 1992

Dear Representative David Finklestein,

I am writing you today to ask you to hold HB 219, a revision of the Alaska Nonprofit code. I write this in my professional capacity as the Executive Director of The Association For Stranded Rural Alaskans in Anchorage. I have not had the opportunity to read the revised code to understand the implications it will have for my organization. Based on expressed concerns by a professional peer who has completed a cursory reading of the bill, I am very anxious to have the opportunity to evaluate and comment in a timely manner.

I would request that the bill be sent to a working group so that all our questions and concerns can be addressed.

Sincerely,

A handwritten signature in cursive script that reads "Kay White".

Kay White, Executive Director



United Way Agency



BIG BROTHERS/BIG SISTERS
OF ANCHORAGE, INC.
430 W. 7th Ave., #220
Anchorage, Alaska 99501

Representative David Finklestein
State Capitol
Juneau, Alaska 99801-1182

Re: HB 219 Revision of Non-profit Code
From: Lanie Fleischer, Ex. Director, Big Brothers/Big
Sisters of Anchorage

David, a look at HB 219 convinces me that it is unrepresentative of non-profits' concerns (my agency was never contacted & was totally unaware of the bill's existence until this week). The bill is incomprehensible in many of its sections and unworkable overall.

The questions raised are voluminous. The bill will cause more harm than good. You would be creating a monster that will stalk the halls of government for years to come.

We non-profits have had no trouble working under the existing code and see very little amendment needed to the current code to up-date it.

I can't believe it would be politically popular to increase the cost of government to regulate the very social service agencies whose funds, meant to directly benefit their clients, have been cruelly slashed! Ironic, isn't it.

Kill this bill. You and we need time to review and logically proceed on this entire subject. Thank you.



A United Way Agency

**BOYS & GIRLS CLUBS**

OF GREATER ANCHORAGE

Administrative Offices
2300 W. 38th Avenue
Anchorage, Alaska 99517-2500
(907) 248-0086

March 23, 1992

Representative David Finkelstein, chair
Alaska State House Labor & Commerce Committee

Dear Representative Finkelstein:

As executive director for Boys & Girls Clubs of Greater Anchorage, I respectfully request your urgent consideration towards holding HB219 until review by the non-profit sector in Alaska is completed.

Just today was our organization made aware of the existence of any movement to revise the Alaska Non-Profit code. Prior to scheduled hearings, our Board of Directors, staff and supporters would appreciate the opportunity to review HB219, especially considering preliminary comments related to its contents.

Further, please consider sending the bill to a working group in order to address the many questions and concerns of those interested.

Sincerely,

Richard L. Hanlin
Executive Director



Part of
Municipality of Anchorage
Parks & Rec. Funding

Boys & Girls Clubs of Greater Anchorage
Founded 1900
Woodland Park Branch • Mountain View Branch • Eagle River Branch



A United Way Agency



Western Alaska Council-Boy Scouts of America

3117 Patterson Street, Anchorage, Alaska 99504
Telephone: 907 337-8547

March 23, 1992

Rep. David Finkelstein
Chairman, House Labor and Commerce Committee
Alaska House of Representatives,
State Capitol,
Juneau, Alaska 99801

Dear Rep. Finkelstein:

I am writing to ask you to hold HB 219, a revision of the Alaska Non-Profit Code. I have not had the opportunity to read the revised code to understand the implications it will have for the Western Alaska Council, Boy Scouts of America. I am anxious to evaluate HB 219 and have an opportunity to comment in a timely manner.

I would request the Bill be sent to a working group so that all our questions and concerns can be addressed.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fred LaCasse".

Fred LaCasse
Council Executive

FL:k



A United Way Agency

CATHOLIC SOCIAL SERVICES

225 CORDOVA STREET, BLDG. B.
ANCHORAGE, ALASKA 99501
(907) 277-2554

March 23, 1992

The Honorable David Finkelstein
Representative, Alaska State Legislature
Chair, House Labor & Commerce Committee
PO Box V, MS 3100
Juneau, AK 99811

Dear Rep. Finkelstein:

I would like to express my concern about HB 219, a revision of the Alaska Nonprofit code. As a large nonprofit agency in Anchorage, we at Catholic Social Services feel that the revisions to the existing code add many complexities that warrant serious discussion. Additional time is needed to adequately review those changes proposed by the Code Commission.

Without going into great detail, our objections with the revised code include (but are not limited to): a. the need for a revision in the first place, b. the proposed additional accountability (and implication that nonprofits are not already accountable) that will only add more unnecessary restrictions to nonprofits, and c. the efforts to bring in components of the for-profit world that would again only hinder nonprofit operations.

Rep. Finkelstein, I urge you to hold the bill and allow more time for a working group to review it. Thank you in advance for considering this request. Please don't hesitate to call if you have any questions.

Best regards,

Jim Caldarola
Jim Caldarola (NR)
Executive Director

Post-It™ brand fax transmittal memo 7871		# of pages > 1
To: Rep. Finkelstein	From: Jim Caldarola	
CC: Chair, House L & C	CC: Catholic Social Serv.	
Dept.	Phone # 277-2554	
Fax # 4765-3442	Fax # 277-3885	



CHALLENGE ALASKA

"Giving disability a possibility through recreation."

March 23, 1992

Rep. David Finklestein
House Labor & Commerce Committee
Juneau, AK 99801

Dear Rep. Finklestein:

Please hold HB 219, a revision of the Alaska Non-profit code until Challenge Alaska and other non-profits have had an opportunity to review this bill in detail.

Thank you for your consideration.

Sincerely,


Patrick Reinhart
Executive Director

P.O. Box 110065, Anchorage, Alaska 99511 • (907) 563-2658 • FAX (907) 561-6142
Adaptive Ski School: (907) 783-2925
Chapter of National Handicapped Sports



United Way
of Anchorage

ChildCare **CONNECTION**

March 23, 1992

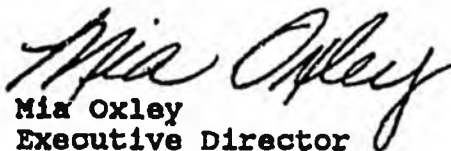
Representative David Finklestein
Box V
Juneau, Alaska 99811

Representative Finklestein,

I am writing to ask you to hold HB 219, a revision of the Alaska Nonprofit Code.


I make this request as the director of Child Care Connection because having just learned of this legislation, I have not had the opportunity to review it and understand the impact on this agency. In addition, I encourage you to establish a working group with non-profit representation so that questions and concerns can be addressed.

Sincerely,


Mia Oxley
Executive Director

FINKLE.DOC

Business (907) 279-5024 Location: 825 L Street Mailing Address: P.O. Box 103394 Anchorage, AK 99510
ChildCare **CONNECTION** A non-profit corporation

 A United Way Agency



food bank of alaska

March 23, 1992

Representative David Finklestein
PO Box V
Juneau, AK 99811
FAX 465-3442

Dear Rep. Finklestein:

I am corresponding with you asking that you hold HB 219, a revision of the Alaska Non Profit Code. I write to you as the Executive Director of Food Bank of Alaska, Inc. I have not seen a copy of the proposed revision so have had no time to review it for implications it may have for Food Bank of Alaska. Based on what I have heard I am very anxious to have the opportunity to evaluate and comment in a timely manner. I also want our 37 person board and advisory board members to be advised of the implications of the proposed changes.

Very Truly Yours,



Jack Doyle
Executive Director

CC: Sen. Arliss Sturgulewski (Advisory Board member)
Rep. Johnny Ellis (Board member)

1320 East 68th Avenue, #112
Anchorage, AK 99518
349-3663 • Fax 349-2516

Second
Harvest





GIRL SCOUTS

Susitna Girl Scout Council
3911 Turnagain Blvd., East
Anchorage, Alaska 99517
(907) 248-2250

March 23, 1992

REPRESENTATIVE DAVID FINKLESTEIN
FAX #465-3442

RE: MAJOR REVISION OF THE ALASKA NONPROFIT CODE

I am writing you today to ask you to hold HB 219, a revision of the Alaska Nonprofit Code. I write this in my professional capacity as the Executive Director of Susitna Girl Scout Council. I have not had the opportunity to read the revised code to understand the implications it will have for my organization. Based on expressed concerns by a professional peer who has completed a cursory reading of the bill, I am very anxious to have an opportunity to evaluate and comment in a timely manner.

I would request that the bill be sent to a working group so that all our questions and concerns can be addressed.

Sincerely,

A handwritten signature in cursive script that reads "Virginia Miller".

Virginia Miller
Executive Director

March 23, 1992

Rep. David Finkelstein
Chairman
House Labor and Commerce Committee
AK House of Representatives
State Capital
Juneau, AK 99801

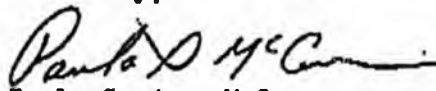
Dear Rep. Finkelstein,

I am writing to you concerning HB 219, a proposed revision of the Alaska Nonprofit Code. As the Director of a nonprofit, I write to you in a professional capacity as well as being a volunteer and donor to other non-profit services in Anchorage.

As I have not had an opportunity to review this bill I am not fully certain of its implications. Based on information received from others who have had a chance to review the bill; I request that the bill be held until a working committee could be formed for the purpose of addressing any questions and concerns.

It is my understanding that Jim Stratton, Program Director is volunteering to organize the working committee in his capacity with Alaska Conservation Foundation. I request that the bill; HB 219 be held until such a working committee has been formed and submitted its evaluation.

Sincerely,


Paula Sanders McCarron
Executive Director

CC: Mr. Jim Stratton, Alaska Conservation Foundation
Mr. Fred Jenkins, United Way of Anchorage



Hospice of Anchorage



NATIONAL MULTIPLE SCLEROSIS SOCIETY

ALASKA CHAPTER
511 WEST 41ST AVE., SUITE 101

(907) 563-1115 FAX (907) 562-6673
ANCHORAGE, AK 99503-6642

FAX SHEET

DATE: 4-9-92
 TO: Steve Kalish, Labor & Commerce
 AT: Chairman's Finkelstein Office
 FAX # 465-3442
 FROM: Alaska Chapter, National Multiple Sclerosis Office

MESSAGE

Ref: HB 219
By behalf of Multiple Sclerosis clients
and their families we request your
committee defer action on referenced
bill. Our Chapter Board of Trustees
needs adequate time to review issues
for impact our organization.
After review we can respond in
professional manner, expressing
our concerns. We will make ourselves
available to assist the committee
with revisions if you would accept our
input.
Alj Olsovski



Mat-Su Council on the Prevention of Alcoholism and Drug Abuse

2801 Bogard Road • Wasilla, Alaska 99654
907/376-4000

April 9, 1992

Representative Finkelstein, Chair
Labor and Commerce Committee
House of Representatives
Alaska State Legislature

Dear Representative Finkelstein:

It has come to my attention that HB 219/SB205, a bill relating to revision of regulations for non-profit organizations, is about to go to the floor to potentially become law.

It is my feeling that non-profit organizations such as ours have not had sufficient time to review the proposed regulatory changes. I request that your committee stall the movement of this bill to allow for more consideration of the proposed changes.

Sincerely,

William G. Herman
Executive Director

Post-It™ brand fax transmittal memo 7871		# of pages > 1
To REP. FINKELSTEIN	From Bill Herman	
Co. CHAIR	Co. Mat-Su Council	
Dept. LABOR & COMMERCE	Phone # 376-4000	
Fax # 465-3442	Fax # 373-1135	



March 23, 1992

Rep. David Finkelstein, chair
House Labor and Commerce Committee
Alaska House of Representatives
Juneau, Alaska 99801

VIA FAX

Dear Rep. Finkelstein:

Planned Parenthood of Alaska urges you to hold HB 219, the revision of the non-profit code, in your committee pending an opportunity for review and comment by non-profit organizations and others who may be affected by this substantial re-write of current Alaska law.

The Code Revision Commission has presented a massive document which apparently makes substantial changes in both the philosophy and operation of Alaska law. Since the proposed revision was made available just within the past few days, it is only reasonable to allow time for non-profit agencies and others to review it in detail and comment before the bill moves out of committee.

We urge you to appoint a working group which includes non-profit representatives to study the bill and make recommendations to Labor and Commerce prior to further action on HB 219. If we can be of assistance in that effort, please let me know.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Annalee McConnell".

Annalee McConnell
Public Affairs Coordinator

1008 West Northern Lights Blvd. • Anchorage, Alaska 99503 • (907) 561-8970



The Salvation Army

Alaska Divisional Headquarters

Mailing Address: P.O. Box 101459
 143 E. Ninth Avenue · Anchorage, Alaska 99510
 (907) 278-2818 · FAX (907) 278-8323

Founded in 1865
 by William Booth

Eva Burrows
 General

Paul A. Rader
 Territorial Commander

Olin O. Hogan
 Divisional Commander

FAXED

March 27, 1992

**Rep. David Finkelstein
 Chairman
 House Labor and Commerce Committee
 Alaska House of Representatives
 State Capital
 Juneau, AK 99801**

Dear Rep. Finkelstein:

I am writing you today to ask you to hold HB 219, a revision of the Alaska Nonprofit Code. I write this in my professional capacity as the Divisional Commander of The Salvation Army. I have not had the opportunity to read the revised code to understand the implications it will have for my organization. Based on expressed concerns by a professional peer who has completed a cursory reading of the bill, I am very anxious to have an opportunity to evaluate and comment in a timely manner.

I would request that the bill be sent to a working group so that all our questions and concerns can be addressed.

Sincerely,

**Olin O. Hogan, Major
 DIVISIONAL COMMANDER**

OOH/sg

Serving Alaska Since 1898



United Way
of Anchorage

Post Office Box 102052
Anchorage, Alaska 99510-2052
Phone (907) 563-4488
Fax (907) 563-0020

March 20, 1992

Rep. David Finklestein
Chairman
House Labor and Commerce Committee
Alaska House of Representatives
State Capital
Juneau, Alaska 99801

Dear Rep. Finklestein:

I am writing you today to ask you to hold HB 219, a revision of the Alaska Nonprofit Code. I write this in my professional capacity as the Acting Executive Director of United Way of Anchorage. I have not had the opportunity to read the revised code to understand the implications it will have for my organization. Based on expressed concerns by a professional peer who has completed a cursory reading of the bill, I am very anxious to have an opportunity to evaluate and comment in a timely manner.

I would request that the bill be sent to a working group so that all our questions and concerns can be addressed.

Sincerely,
UNITED WAY OF ANCHORAGE, INC.

Fred G. Jenkins, Acting Executive Director

cc: B. John Shipe, President, United Way Board of Trustees



ANCHORAGE
ARMED SERVICES YMCA OF THE USA
Post Office Box 272
Elmendorf Air Force Base, Alaska 99508
Telephone: (907) 753-2121
FAX (907) 753-2088



Honorary
Life Member
Robert B. Atwood

TO: The Honorable David Finklestein
FM: Tom Morgan *Tom*
RE: HB 219

Dear Representative Finklestein:

It has come to my attention that HB 219 is in your committee awaiting action. Until about two weeks ago, I was not aware of HB 219 nor, for that matter, any pending action effecting non-profit organizations. I would submit that other non-profits were similarly in the dark on this subject as evidenced by feedback from my contemporaries.

As Executive Director of the Armed Services YMCA and a concerned citizen that strives to stay informed, I implore you to resist action on HB 219 to afford myself and others the opportunity to review and provide constructive input on this sweeping code revision.

Thank you for your attention.



ARMED SERVICES YMCA OF THE USA
Post Office Box 872
Elmendorf Air Force Base, Alaska 99508
Telephone: (907) 753-2121

Honorary
Life Member
Robert B. Atwood

F A C S I M I L E C O V E R

D A T E: 23 March, 1992

T I M E: 10:15 AM

PLEASE DELIVER THE FOLLOWING TRANSMISSION AS SOON AS POSSIBLE:

T O: Honorable David Finklestein

A T PAX: 465-3442

F R O M: Anchorage Armed Services YMCA

Number of pages, INCLUDING this page: 1

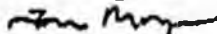
Please notify us at once if not received properly.

TELEPHONE (907) 753-2121 ask for telecopier operator _____

Telecopier: (907) 753-2068

SPECIAL INSTRUCTIONS I am writing you today to ask you to hold HB 219, a revision of the Alaska Nonprofit Code. I write this in my professional capacity as the Executive Director of the Anchorage Armed Services YMCA. Based on expressed concerns by a professional peer who has completed a cursory reading of the Bill, I am very anxious to have an opportunity to evaluate and comment in a timely manner. I would request that the bill be sent to a working group so that all our questions and concerns can be addressed.

Sincerely,


Tom Morgan
Executive Director

**Anchorage Community YMCA**

at Jay Flood Memorial Park • 5353 Lake Otis Parkway • Anchorage, Alaska 99507 • (907) 563-3211

March 23, 1992

Rep. David Finkelstein
Chairman
House Labor and Commerce Committee
Alaska House of Representatives
State Capital
Juneau, Alaska 99803

Dear Rep. Finkelstein,

I am writing you today to ask you to hold HB 219, a revision of the Alaska Nonprofit Code. I write this in my professional capacity as the Executive Director of the Anchorage Community YMCA. I have not had the opportunity to read the revised code to understand the implications it will have for my organization. Further, I do not understand the need to rewrite the code in the first place. Based on expressed concerns by a professional peer who has completed a cursory reading of the bill, I am very interested in having an opportunity to evaluate and comment on the bill in a timely manner.

I request that the bill be sent to a working group so that all our questions and concerns can be addressed.

Sincerely,

Ed Slater
Executive Director

HB

223

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811



MEMORANDUM

TO: Labor and Commerce Committee Members

FROM: David Finkelstein *DF*

DATE: 15 April 1991

RE: Proposed Committee Legislation

I intend to introduce the following bills as committee legislation. Please let me know if you have any comments.

1. A bill defining the work week to reduce the amount of overtime work employers can require some employees to work without paying overtime pay.

State law requires overtime pay for work in excess of forty hours a week or eight hours a day. However, since the law doesn't adequately define "work week" some employers require overtime hours without having to pay overtime pay. This legislation: removes public works projects from an exemption for employers employing four employees or less; tightens an exemption for voluntary flexible work weeks to exclude non-consecutive days and Sundays; requires overtime pay for the sixth and seventh days of a week if the employee has worked at least five consecutive days at the regular rate of pay; defines a day as 24 consecutive hours; and defines a week as running from 12:01 a.m. Sunday to midnight on Saturday.

2. Several bills to stiffen regulation of insurer solvency.

a. A bill changing the insurance law on managing general agents.

This bill amends the term "general agent" to the more correct term "managing general agent." The change in terms converts the term currently used in the statute to the term that is used in industry and in the National Association of

Insurance Commissioners (NAIC) model law when referring to people with the responsibilities of managing some part of an insurer. The bill also exempts the manager of a U.S. branch of an alien insurer from licensure as a managing general agent (MGA), allows the Director of Insurance to require bonds or errors and omissions insurance policies for licensed MGAs, requires a written contract between the MGA and the company for which the MGA is given authority, sets out the ownership of claim files, sets out actions of the MGA which are prohibited, sets out requirements of the insurer when using MGAs, and defines the term MGA for licensing purposes.

b. A bill adopting the requirements of the National Association of Insurance Commissioners' model law on examinations.

The model law is one of the accreditation standards for the NAIC, and is necessary for Alaska's success in becoming an accredited state. The bill adopts rules on scheduling and identifying licensees for examination, and makes a number of other changes to raise the standards for examinations.

c. A bill adopting the requirements of the NAIC's model law on reinsurance intermediary brokers and managers.

The model law is one of the NAIC's accreditation standards. It requires additional record-keeping and written contracts, and generally stiffens requirements for persons acting as reinsurance intermediaries.

d. A bill regarding reinsurance credit, reserves, securities, and investments.

This bill makes several small changes required to meet NAIC accreditation standards.

e. A bill relating to the regulation of insurance holding companies.

This bill sets out additional standards for an insurer's investments in subsidiary businesses.

ALASKA STATE HOUSE

3111 C STREET, SUITE 455
ANCHORAGE, ALASKA 99503
(907) 581-7628

WHILE IN SESSION
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3704



CHAIR
RULES COMMITTEE

JUDICIARY

SPECIAL COMMITTEE ON INTERNATIONAL
TRADE & TOURISM

LEGISLATIVE COUNCIL

REPRESENTATIVE JOHNNY ELLIS

March 11, 1991

MAR 13 1991

Memorandum

To: All House Members

From: Representative Johnny Ellis *JE*

Re: Co-Sponsorship - Project Labor Agreement Bill *File*

SOON TO COME

I invite your co-sponsorship of the attached draft bill. The purpose of this legislation is to afford state agencies the same opportunity the private sector now enjoys to enter into project labor agreements.

While current law is silent with regard to state agency authority to enter into project labor agreements (PLAs), state agencies have successfully utilized these agreements in the past. On the Bradley Lake hydro project, for example, an agreement was entered into between Enserch Corporation (primary contractors) and organized labor, which helped bring the project toward completion some \$40 million under budget.

In another instance, a direct project labor agreement was entered into between a labor union and the Alaska State Housing Authority for an asbestos abatement project.

Why should a state agency enter into a project labor agreement? The simple answer is for the same reason the private sector utilizes them - cost savings.

As in the Trans-Alaska Pipeline project, Bradley Lake, and many North Slope construction projects of significant magnitude, there can be cost savings realized by negotiating wages, working conditions, benefits, and other matters prior to the job going out to bid. These and other cost savings can be bid out and reflected in the cost of the project.



In addition to obvious potential cost savings, any successful major project must be constructed following a stringent time-line. This time-line requires that a "construction cadence" be followed in an uninterrupted manner. Any significant project needing a sizeable labor force must be able to count on a reliable, skilled work force to meet the construction cadence demands. The bottom line being - disruptions in labor supply can and will cost millions in lost worker hours.

Underscoring the potential for cost savings and stable construction cadence, project labor agreements can bring about "**Alaska local hire,**" specifically provided for in federal labor law and supported by the U.S. Supreme Court. Local hire provisions found in all labor unions within Alaska allow local Alaska residents to be given preference for employment on Alaska projects. If this law had been in effect, projects such as "Red Dog Mine" could have entered into PLAs which might have resulted in local village residents having the first opportunity for employment on the project.

It is also important to note that, while project labor agreements are between state agencies or local governments and labor unions, they do not preclude non-union residents from going to work on these projects. Equally important, anyone can and must be given access to employment on a PLA project through the union's hiring hall, whether a union or non-union applicant. An Alaskan can, if desired, go through a union hall under a PLA, but not be required to join the union as a member. Under federal law, exclusive union membership is specifically prohibited. Union and non-union applicants for employment on state negotiated PLAs are to be given equal consideration. If a non-union Alaskan walks through the hiring hall door first, he or she will be given priority for dispatch.

Passage of this legislation will provide state agencies with the opportunity to utilize project labor agreements that could result in cost savings, success in meeting or exceeding construction deadlines, and help ensure that Alaskans are hired for Alaskan public works projects.

I am planning to introduce this bill on Friday, March 15. If you would like to co-sponsor, please contact me or Jim Nordlund by noon Thursday.

Thank you.

ALASKA LEGISLATURE



Kevin "Pat" Parnell
Representative
University-Midtown, Anchorage

April 24, 1991

Darrell Smith
Business Manager
Plumbers and Steamfitters
U.A. Local 367
610 West 54th Avenue
Anchorage, AK 99518

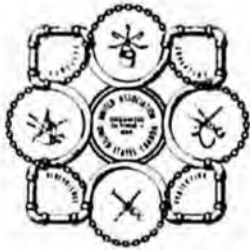
Dear Darrell:

Thanks for your letter. I have kept it for personal reference on HB 223, the Alaskan Hire Bill. Please let me know of any further thoughts you have.

Sincerely,
Pat

P - GOODSEEING YOU HERE LAST WEEK - P

Kevin "Pat" Parnell
Representative
University-Midtown District 10



**United Association of Journeymen and Apprentices of the
Plumbing and Pipe Fitting Industry**

PLUMBERS & STEAMFITTERS LOCAL UNION NO. 367

610 W. 54TH AVENUE • ANCHORAGE, ALASKA 99518

DARRELL SMITH, BUSINESS MANAGER

PHONE (907) 562-2810



APR 22 1991

April 19, 1991

Representative Pat Parnell
P.O. Box "V"
Juneau, Alaska. 99811

Re: House Bill #223.

Representative Parnell:

This letter is being sent to encourage your support of HB #223.

Project Labor Agreements will allow the State a legal means of using Alaskan contractors and Alaskan workers on State and/or Municipal projects. This legislation is not mandatory. It allows State Agencies and local governments to enter into agreements when they find it to be in their best interests, the same way you or any other project owner would do in the private sector. Unfortunately, there are some who have blown this concept completely out of proportion.

I find it difficult to understand why anyone, especially an elected representative of the State, would oppose legislation that has the potential of placing Alaskan workers and Alaskan employers on Alaskan financed projects.

Most of the opposition appears to be from the Associated General Contractors who seem to be influenced by out-of-State contractors who don't like the idea of employing Alaska residents.

Possibly, the AGC has concerns of having to deal with the Unions. I would like to point out that the Unions are not monsters out to gobble up everything and everyone in their path. We are quite simply business managers attempting to secure employment opportunities for our membership.

My friend, we are both aware of the blatant abuses of Alaskan hire by the Oil Companies on the North Slope and the hiring practices of the Japanese in the fish processing plants through-out the State. Unfortunately, this legislation won't effect projects such as the above, but it's a step in that direction.

As an elected representative of the State of Alaska I should think that you would view this legislation with an open mind and a positive attitude towards creating employment opportunities for your unemployed constituents.

As a thirty-six [36] year resident I feel a Bill such as this is long over due. I, like many other "true" residents of this great State are sick and tired of being unemployed at a time when hundreds of jobs are being manned by out-of-State workers.

PLA's do work. A most recent example is the Bradley Lake Hydro-Electric Project. The State mandated local hire on this project which was ruled unconstitutional by the Supreme Court. Through the negotiated PLA the local hire was continued and successful. The project was completed on schedule and under budget.

There was a PLA negotiated for the Air Force Backscatter Radar project to be built North of Glennallen. It too, mandated not only local hire but included Native hire and training as well. Unfortunately, the project was cancelled.

Again, if the State wants a legal means of achieving local hire it can be accomplished through the use of Project Labor Agreements.

I urge your support of this important Alaskan Hire Bill.

Respectfully,



Darrell F. Smith
Business Manager
U.A. Local 367

APR 22 1991



H. C. PRICE
CONSTRUCTION CO.

471 W. 36th, Suite 201, Anchorage, Alaska 99503
Telephone (907) 561-4400, Telecopy (907) 583-3255
Telex 090-25370

April 18, 1991

VIA FAX NO. 465-2864

The Honorable Pat Parnell
State House of Representatives
P. O. Box "V"
Juneau, Alaska 99811

[Handwritten initials]

Subject: CS for SB 95 and HB 223 *[Handwritten arrow pointing to HB 223]*

Dear Representative Parnell:

My firm is a large and well established construction firm in Alaska. We have been here since 1974 and have participated in many major projects beginning with construction of the Trans Alaska Pipeline and including the almost completed Bradley Lake Powerhouse.

Our firm negotiates Project Labor Agreements or is signatory to Geographical Labor Agreements which have been negotiated by construction industry organizations such as the North Slope Contractors Association, the TAPS Contractors Association, and the Pipe Line Contractors Association.

We are currently performing the \$32 million Bradley Lake Powerhouse under a Project Labor Agreement negotiated between the successful contractors and the local unions. The PLA is working fine and does not put the State at risk since they are not party to the Agreement.

We oppose the subject bills on the grounds that the state has no business in a contractor's labor relations.

Labor Unions are fine organizations, however, they are notorious for trying to achieve their goals through political means rather than competing in the market place. Please do not help them further their goals at the expense of the private construction industry and by placing the citizens of the State of Alaska in the position of having no choice in the matter.

The passage of either bill would restrain trade and would unnecessarily increase the cost of all work performed under such a law.

Very truly yours,

H. C. PRICE CONSTRUCTION CO.

[Handwritten signature]

Wesley P. Nason
Vice President & General Manager

WPN/rh/126

N-10-86

MAY 06 1991

Gene Kulawik

3215 Westmar Circle
Anchorage, Alaska 99508

May 5, 1991

Representative Kevin "Pat" Parnell
Capitol, Rm. 128
P.O. Box V
Juneau, AK 99811

Re: House Bill 223 Project Labor Agreements

Dear Representative Parnell:

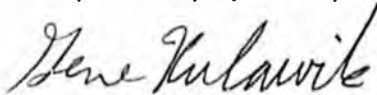
I am seriously concerned about HB 223 which is currently under review by your committee. This bill is an attempt to sell union hire as the only acceptable local hire alternative. HB 223 permits public employees to negotiate with labor organizations without showing that the labor organization represents a majority of the public employer's employees.

I have worked in the construction industry for over 35 years, of which 27 years have been in Alaska. It is my opinion that contractors should negotiate labor agreements with the workers involved in the work. I am of the firm opinion that utilizing State of Alaska employees in the negotiation of project labor agreements would result in unmitigated disasters. The current labor agreements between the State of Alaska and employees are certainly examples of poorly negotiated contracts.

This bill disenfranchises open shop employers and their employees. This bill removes competition in the market place. If the unions want a bigger share of the work, all they need to do is become more competitive.

You can do all Alaskans justice by voting down HB 223. HB 223 deserves to be forgotten about and placed in the trash can.

Very truly yours,



Gene Kulawik



M-B CONTRACTING CO., INC.

7101 Debarr Rd., Anchorage, Alaska 99504 • Ph. (907) 333-5527 • Telex 26-528

April 24, 1991

Representative David Finelstein
Chairman, Labor & Commerce
PO Box V
Juneau, AK 99811

Dear Representative Finkelstein:

Re: House Bill No. 223

First, let me ask a question. What is the problem the proposed legislation is intended to fix? I believe the purpose of new legislation is either (1) to correct an existing problem, or (2) to address a newly discovered problem. In other words, "if it ain't broke, don't fix it!" If we can first identify the purpose of this bill, and read it with that in mind, we can better understand the bill.

Section 2(a) does state the purpose of the bill. It is "to structure labor relations at the job site of a public construction project in the interests of industrial harmony . . ." Please tell me what is wrong with the present "industrial harmony."

... and "to permit public agencies to make optimal use of their construction resources." Construction resources are made up of people and money. This bill will cost the State a great deal in people and money to (1) negotiate PLA's for each project for each labor organization on that project, and (2) "retain substantial control of job site labor relations" (Sec 2(c)). I suggest that this be reviewed with Millett Keller and/or Frank Turpin.

The State may negotiate with "one or more labor organizations." We know this refers to the union. There is only one labor organization (union) representing each craft in the State of Alaska.

The PLA obviously replaces all terms and conditions of existing labor agreements entered into by the Contractor. Thus, the State has all authority over employees but none of the responsibility of an employer (Sec 2(g)).



April 24, 1991

Page two

There are no constraints in this bill limiting the provision for PLA's. It may apply to none or all projects depending upon the appointed representatives who administer the bill. Is it judicious for the legislature to so empower the agency?

Having made these limited comments from my perspective of the effects of this bill, I ask that you re-read the first paragraph and answer my question: What is the real purpose of this bill?

Sincerely yours,



Erma H. Bolick
160 Ocean Park Drive
Anchorage, AK 99515

cc: Committee Members
Commissioner Millett Keller
Commissioner Frank Turpin

April 26, 1991

Phil Thingstad
PO Box 1082
Palmer, Alaska 99645

Dear Phil,

Thank you for your public opinion message regarding HB 223 and SB 95 relating to project labor agreements. As you know, I'm a co-sponsor of HB 223. When the bill makes it to my Labor and Commerce Committee, I will expedite it as quickly as possible.

Let's stay in touch on this bill and other matters.

Sincerely,

David Finkelstein



UNITED BROTHERHOOD OF
Carpenters and Joiners of America

LOCAL UNION NO. 1281

407 DENALI

PHONE 276-3533

ANCHORAGE, ALASKA 99501

Fax: 276-7962



MAY 02 1991

May 2, 1991

Dear Representative,

As both Business Manager of Carpenters Local 1281 and President of the Western Alaska Building Trades, I wish to express support for HB-223.

These projects have been touted as "Union Bills". This is simply not the truth. They are, in fact, Alaska Hire bills. It is the only way to legally guarantee Alaska hire. It does not require that the State enter into such an agreement, it only gives them the option. Also, it does not preclude any contractor from bidding on a state project.

In times of declining oil revenue, the state should look at, and have the option of, saving money in any way it can.

Sincerely,

Phil Thingstad
Business Manager
Carpenters Local 1281

PT/sh

MAY 10 1991



Painters Local Union No. 1140

of the International Brotherhood Of Painters And Allied Trades AFL-CIO

TELEPHONE: (907) 279-3556 FAX (907) 258-6202 OFFICE: 1818 W. NORTHERN LIGHTS BLVD., ANCHORAGE, ALASKA 99517

May 1, 1991

All Alaska Legislators

Dear Senator or Representative:

We would like to convey to you our complete support for **SB 95** and **HB 223** regarding Project Labor Agreements.

We feel the state has a great opportunity to insure **JOBS FOR ALASKANS**. This bill will allow **ALASKANS TO BE EMPLOYED IN ALASKA** at a decent livable wage. What could be more important to aid the state in it's economic recovery?

We urge you to support this important legislation. Thanking you in advance for your attention to this matter, I remain

Respectfully,

Raymond Smith
Business Representative

cc Walter J. Hickle, Governor
Shawn Merrick, General Representative
Mike Andrews, Business Representative

Covering Alaska Below The 63° Parallel

PAINTERS, SIGN PAINTERS, VINYL HANGERS, DRYWALL TAPERS, GLAZIERS, FLOORCOVERERS

April 3, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

RE: HB 223

Dear Representative Finkelstein,

I feel that the above legislation allowing the State to enter into project labor agreements with labor organizations on public construction projects would be highly detrimental to everyone concerned, including labor, management and the public.

First, it seeks to equate union hire with local hire and thereby associates open shop contractors with non-local hire. This inference is simply not true and a great disservice to Alaskan open shop businesses. Second, it allows public employers to force employees into involuntary union membership. Finally, and most importantly, it could severely limit or eliminate competitive bidding on publicly funded construction projects. I believe strongly in the principle of free and open competition in bidding and obtaining public work. It provides the best quality services for the lowest costs, and to pretend otherwise is simply bad public policy.

I recognize the short and long term economic benefit of hiring Alaskans, but I cannot understand why Alaskan legislators would even consider placing non-union Alaskan workers in a position to be excluded from Alaskan public construction jobs.

I strongly urge you to consider the negative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

Dale Butcher

P.O. 694

Wasik AK 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

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I strongly urge you to consider the ~~negative~~ consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

Ustonda Butcher

POB 674

Wasilla, AK. 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

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I strongly urge you to consider the ^{ne}gative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

Chris M. Cass

P.O. Box 873756

Wasilla, AK. 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

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Sincerely,

Stephanie J. Cass
P.O. Box 873756
Wasilla, AK 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 2, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

RE: HB 223

Dear Representative Finkelstein,

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I strongly urge you to consider the negative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

J. Allen Conn.
HC OI Box 6474
Palmer AK 99645

CC: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 2, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

RE: HB 223

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I strongly urge you to consider the negative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,



P.O. Box 33

SUTTON, AK. 99674

CC: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 2, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

RE: HB 223

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I strongly urge you to consider the negative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

Greg R. Finkman
P.O. Box 3323
Palmer Ak 99645

CC: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

Floyd R. Ehmann
P. O. Box 1582
Palmer, Alaska 99645

April 2, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

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LAB D

File

RE: HB223

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Sincerely,


Floyd R. Ehmann

FRE/cbh

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

APR 1 1991

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I strongly urge you to consider the negative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

Carolyn B. Hunter

1750 Westmead Cir.

Wasilla, Alaska 99684

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

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I strongly urge you to consider the negative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

Richard K. Hunter
1500 Chatteray Cr.
Wasilla, AK 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
Juneau, Alaska 99811

RE: HB 223

Dear Representative Finkelstein,

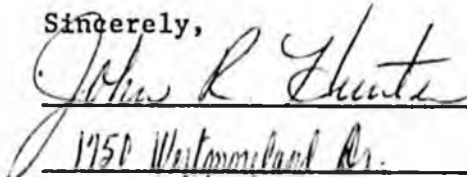
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Sincerely,



1750 Westmoreland Dr.

Wasilla, AK 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

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House Labor & Commerce Committee
State of Alaska House of Representatives
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Sincerely,

Bernard N. Kimmann

P. O. Box 355

Palmer, Alaska 99645

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

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House Labor & Commerce Committee
State of Alaska House of Representatives
P. O. Box V
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I strongly urge you to consider the ^{or} negative consequences of this ill advised and unnecessary legislation and ask that you do not support it in any way.

Sincerely,

Sam Rush
HB 33 Boy 2866
Wasilla, AK 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

April 3, 1991

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House Labor & Commerce Committee
State of Alaska House of Representatives
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Sincerely,

Toni Utt

TONI UTT

HC30 Box 5446

Wasilla, AK 99687

cc: Pat Parnell
Betty Bruckman
Dave Donley
I. Ivan
Robin Taylor
Jim Zawacki

INTRODUCTION OF BILLS (House)

State Mineral Policy (review & reporting requirements)

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 97, by Reps. SHARP, Foster, M.W. Miller, Taylor, Zawacki, C. Davis, Gonzales, Hudson, G. Phillips, M.A. Miller, Choquette, Hanley (note: a sponsor substitute version of a bill supersedes the original bill). Relates to mineral assessments by the Department of Natural Resources, the review and reporting requirements of state agencies relating to the state mineral policy, and requires the commissioner of natural resources to make an annual report to the legislature of all land restricted to mining under lease or closed to mining:

—Adds a new section to AS 24.08 (Legislature. Enactments) to prohibit a bill that restricts or closes state land or water to mining from taking effect until an assessment of the mineral resources of the land or water is completed by the Department of Natural Resources and forwarded to the president of the senate and the speaker of the house of representatives. The assessment will have to include all available mineral resource knowledge of the land or water to be restricted or closed to mining.

—Amends AS 38.05.185(a) (Alaska Land Act. Leasing of Mineral Land. Mining Rights. Generally) to require the commissioner of natural resources to submit to the legislature not later than February 1 of each year, a report "...of all land restricted by administrative and legislative closures to mining under lease or closed to mining during the previous year. The report must include the legal description of the land restricted or closed, the available mineral resource knowledge of the land, the reason for the restriction or closure, and the effective date of the restriction or closure."

—Amends AS 44.99.110 (State Government. Miscellaneous Provisions. Declaration of State Mineral Policy) by adding new subsections. Note: except for subsection (e), the subsections are the same as those printed on page 157. Subsection (e) provides: "In (b) - (d) of this section, 'agency' includes: (1) the Department of Commerce and Economic Development; (2) the Department of Environmental Conservation; (3) the Department of Fish and Game; (4) the Department of Natural Resources; (5) the Department of Revenue; (6) the office of management and budget; (7) the Alaska Railroad Corporation; (8) the University of Alaska; and (9) any other agency of the state designated by the Alaska Minerals Commission."

The new subsections added to the state mineral policy will be repealed July 1, 1996.

If enacted, the bill becomes law 90 days after it is signed by the governor.

Introduced March 20, 1991 and referred to Resources; Finance.

Project Labor Agreements (permitting state & municipal- ities to enter into)

HOUSE BILL NO. 223, by Reps. ELLIS, Navarre, Koponen, Gruenberg, Brown, Finkelstein, Boyer, Moyer. Adds a new section to AS 36.90 (Public Contracts. Miscellaneous Provisions) to permit the state or its political subdivisions to enter into project labor agreements. The bill

INTRODUCTION OF BILLS (House)

HB 223 (cont'd)

states: "The purpose of this section is to enable the state or a political subdivision of the state to structure labor relations at the job site of a public construction project in the interests of industrial harmony and to permit public agencies to make optimal use of their construction resources."

The state or a municipality and a representative of one or more labor organizations representing employees in the building, maintenance, and construction industry will be allowed to enter into a project labor agreement concerning labor relations on a public construction project whether or not the representative is a majority status labor organization under federal law. In addition to addressing wages, hours, and other terms and conditions of employment, the agreement can, with respect to labor relations on the project "...(1) require the state or political subdivision to require a contractor, subcontractor, or other person on the project to (A) notify labor organizations representing building, maintenance, and construction industry employees of project employment opportunities; or (B) accept referrals of qualified applicants from the labor organizations for project employment; (2) provide for priority in opportunities for employment referrals based on minimum training or experience qualifications or based on length of service (A) with the contractor, subcontractor, or other person; (B) in the industry; or (C) in the particular geographical area; (3) require the state or a political subdivision of the state and one or more labor organizations representing employees in the building, maintenance, and construction industry to enter into an agreement concerning labor relations on a public construction project, to cease or refrain, or agree to cease or refrain, from handling, using, selling, transporting, or doing business with a contractor, subcontractor, or other person."

The state or political subdivision will retain substantial control of job site labor relations including the means, manner, and standards of performance of all employees working or employed on projects covered by the agreement. In negotiating and implementing a project labor agreement, the state or political subdivision and the labor organization or representative of labor organizations shall comply with the state legal requirements for negotiating and implementing collective bargaining agreements. If a settlement is reached at the completion of negotiations, the state or political subdivision will have to reduce the settlement to writing in the form of an agreement. The agreement can include a term for which it will remain in effect, not to exceed three years. If a specific project is expected to last longer than three years, the term can exceed three years, but cannot exceed the length of the project. The agreement must include a grievance procedure with binding arbitration as its final step. Either party to the agreement has a right of action to enforce the agreement by petition to the Alaska Labor Relations Agency.

If enacted, the bill becomes law 90 days after it is signed by the Governor.

Introduced March 19, 1991 and referred to Community and Regional Affairs; Labor and Commerce; Finance.

State Correctional System (population management)

HOUSE BILL NO. 224, by the HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR.
See Senate Bill 215, this report, identical.

Introduced March 20, 1991 and referred to Health, Education and Social Services; Judiciary.

H B

2 2 6

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 226

Revision Date: _____ Department Affected: Commerce & Economic Development
 Title: "An Act creating the electrical service extension grant program"
 Sponsor: Kubina Component: _____
 Requestor: (H) Labor & Commerce COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	37.0	27.0	27.0	27.0	27.0	27.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	37.0	27.0	27.0	27.0	27.0	27.0

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	37.0	27.0	27.0	27.0	27.0	27.0
FEDERAL FUNDS						
OTHER						
TOTAL	37.0	27.0	27.0	27.0	27.0	27.0

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year impact: no FY 91 fiscal impact

ANALYSIS: (Attach a separate page if necessary.) See attached

Prepared By: Robert E. LeResche, Executive Director Phone: 465-3575
 Division: Alaska Energy Authority Date: _____
 Approved by Commissioner: Glenn Olds
 Agency: Commerce & Economic Development Date: 6/20/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

This bill would amend AS 44.33 by adding a new section creating the Electrical Service Extension Grant Program, which establishes an Electrical Service Extension Fund in the Department of Commerce and Economic Development. The Fund would consist only of money appropriated by the Legislature. The bills allow for the Department to make grants from the fund to certified electric utilities and to electric utilities exempt from certification under AS 42.05.711. The grants are to be used to pay for the costs of site preparation and construction for the extension of electrical service into areas not currently served by and electric utility. The amount of a grant may not exceed 50 percent of the total cost of construction for the electrical extension project. Grant funds may not be used to cover costs of planning, feasibility studies, or design of an extension project.

HB 226 allows that an electric utility constructing an extension project through a grant made under this section, may charge a connection fee for the initial connection to the electrical service made available through the construction. The residential or commercial connection fee may not exceed \$1,000.

The Department is required to adopt regulations to implement Sec. 44.33.601 as proposed in HB 226. The Department's responsibility for administration of loans made from the electrical service extension fund and adoption of regulations will provide for the fiscal impact as noted above. Additional funding for personal services would be required to pay position costs associated with administration of the program. The funding level for the grant program would be determined each fiscal year through legislative appropriation to the fund. HB 227 proposes \$1,000,000 to be appropriated for initial capitalization of the electrical service extension fund when established.

Alaska State Legislature



Representative Eugene Kubina

Chairman
State Affairs
Committee

Legislative Council

Transportation
Committee

During Session:
State Capitol
P.O. Box V
Juneau, Alaska 99811
(907) 465-4859

During Interim:
P.O. Box 2463
Valdez, Alaska 99686
(907) 835-2111

SPONSOR STATEMENT

Sponsor: Representative Gene Kubina
Subject: HB 226 & HB 227: Electrical Extension Grant
Date: 11 April 1991

HB 226 & HB 227 would create and appropriate funds for the creation of an electrical extension grant to extend electrical services into outlying areas of the state currently not served. The intent is that through a matching grant program our electrical utilities would be encouraged to extend their lines into areas not financially viable.

A primary point of the bill is that the grant program would fund only the construction costs. The utilities would have to utilize their own resources for the full cost of planning, study, and design.

Rationale: bringing additional rural families and businesses on line is beneficial to our electrical utilities, good for the development of our rural communities, and more energy efficient than the use of individual generators.

— DISTRICT SIX —

• Chenega Bay • Chitina • Cooper Landing • Cordova • Hope • Moose Pass • Seward • Tatitlek • Valdez • Whittier •



Cordova Electric Cooperative, Inc.

P.O. BOX 20 • CORDOVA ALASKA 99574 • (907) 424-5555 • FAX (907) 424-5527

April 16, 1991

Representative Kubina
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Kubina:

This is in regards to HB 227 of which you are a sponsor. Cordova Electric Cooperative supports the concept of an electrical service extensions fund, as it will help a lot of utilities extend their lines to consumers who cannot afford line extensions. It should be noted that REA Cooperatives have tariffs that require a payback of an extension within a certain time frame. This bill will certainly help lower that cost. However, we would like to obtain clarification on the connection fee as described in the bill.

Again, Cordova Electric Cooperative is in favor of the bill and would like to be kept apprised of any changes as it proceeds through the legislature.

Sincerely,

James H. Roberts, Jr.
General Manager



COPPER VALLEY ELECTRIC ASSOCIATION, INC.

P.O. BOX 45 GLENNALLEN, ALASKA 99588-0045

Glennallen (907) 822-3211
Valdez (907) 835-4301
Telefax # (907) 822-5588

April 17, 1991

Mr. Tom Van Brocklin
*The Honorable Eugene Kubina
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Subject: HB 226 & HB 227 - Electrical Extension Grant

Dear Tom:

I appreciate the opportunity to express my support for the concept expressed in HB 226. Many individuals are near electrical service facilities; however, are not close enough to afford the serving utility with economic feasibility.

I believe that this concept might afford opportunities for a greater number of people to be connected to central station service. I do, however, have some concern with Section I, Item C, which restricts consumer contributions.

I would suggest deletion of that sentence, and in lieu thereof have a sentence which states, "Residential or commercial consumers may enter into a contract for service with the utility for the remaining 50%, provided that the repayment is a minimum billing which provides for energy per standard utility tariff."

If I may provide additional information, I will be happy to do so.

Again, thank you for the opportunity to provide comment.

Sincerely,

R. D. (Doug) Bursey
General Manager

c:\wp\rdb\91-141.jw



Alaska State Legislature

Please enter into the record my testimony to the House
Labor & Commerce, Finance
 committee name
 committee on HB 226 - HB 227, dated 4-17-91
 bill/subject

HB 226 - Very good bill, but should go further to pay for site preparation and construction of the extension.

HB 227 - Very good bill, and is needed, but the amount is only about 20% of the amount needed.

It would make sense to spend more money for line extensions than to spend funds on demand-side management programs, and other energy studies.

Spend the money were it would do the most good for the average person!

Signed: [Signature] LARRY PEET
 Testifier

Representing (Optional)

Box 520985 Big Lake Ak. 99652

Address

907-842-8115

Phone No.

HB

228

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 228

Revision Date: _____ Department Affected: Alaska Energy Authority
Dept. of Community & Regional Affairs

Title: "An Act making approps. for power projects
energy conservation, and grants to utilities..." BRU: _____
Component: _____

Sponsor: HOUSE LABOR & COMMERCE

Requestor: (H) Labor & Commerce

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)

The fiscal note is on the face of the Bill.

Prepared By: Robert E. LeRusche, Executive Director Phone: 465-3575

Division: Alaska Energy Authority Date: 3/24/91

Approved by Commissioner: GLENN OLDS Assistant Comm.

Agency: Department of Commerce & Economic Development Date: 3-26-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

3-25-91

HB 228

House Bill 228 appropriates \$50 million to improve the electrical transmission link between Fairbanks and the Kenai Peninsula, \$48 million for energy conservation programs throughout Alaska to reduce the need for future spending on energy supply projects, and \$30 million to Railbelt utilities to repay their debt for power supply projects.

Section-by-section, HB 228:

1. Appropriates \$20 million for the upgrade of the existing intertie between Anchorage and Fairbanks by installing static var systems (SVS). This limited upgrade requires the installation of three SVS units--one each at Wasilla, Healy, and Fairbanks.

The installation of these units will allow the line to carry 84 megawatts (MW) under normal operation as opposed to the current 54 MW. (An earlier estimate by the Alaska Energy Authority had the increase going to 100 MW from 70 MW, which is why this project is sometimes called "Anchorage-Fairbanks 100" or "AF100.")

Construction of the proposed second Healy-Fairbanks intertie would require the SVS upgrade as well. Three-quarters of the increased transfer capacity provided by the proposed second Healy-Fairbanks second intertie could be provided by installing the SVS upgrade by itself at a little over one-quarter of the cost. The benefits of the SVS limited upgrade substantially outweigh the costs under all economic analyses of Railbelt energy projects.

2. Appropriates \$30 million for the reconstruction of the existing intertie between Anchorage and the Kenai Peninsula. This reconstruction is needed to replace aging portions of the line and help avoid outages caused by avalanches. This reconstruction is clearly needed, and Chugach is planning to do this over the next 17 years. The \$30 million appropriation would cover the cost of this reconstruction.

3. Appropriates \$48 million for several energy conservation programs statewide. Of this \$48 million:

a. \$10 million would go for low-income weatherization. Weatherization reduces consumer energy costs and the demand for the State to spend more to hold consumer costs down. Weatherization also creates numerous jobs that can be performed by local residents.

b. \$10 million for public facilities retrofitting. The State owns more than 11.4 million square feet in buildings, and local governments and school districts partially funded by the State own millions more. Providing the energy for public buildings costs the State millions of dollars a year, and properly retrofitting these buildings could save millions.

c. \$20 million for grants to utilities for programs to encourage more efficient use of electricity by consumers. These programs have a robustly positive benefit-cost analysis.

d. \$8 million for residential and business energy improvements. This allocation would provide funding for such beneficial programs as the Alaska Craftsman Home Program, which trains builders, owners, and buyers of homes to build or retrofit energy-efficient buildings.

4. Appropriates \$30 million to Railbelt utilities on a per consumer basis to repay debt. If it is inappropriate for a utility to use its grant to repay debt--because it has no debt, because the early repayment would trigger a penalty, or because the debt is held at below-market interest rates--the utility may use the grant to avoid incurring future debt for future power generation, transmission, or distribution projects.

The funding total for this legislation is \$128 million. The Railbelt intertie reserve provides \$106 million, the Railbelt Energy Fund provides \$2 million, and the General Fund provides the balance.

MEMORANDUM

State of Alaska

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

TO: Cliff Groh
House Commerce and Labor
Committee

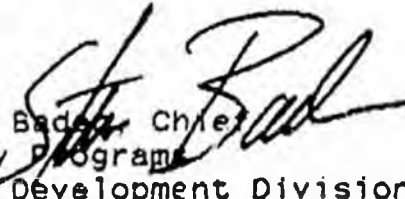
DATE: March 16, 1991

FILE NO:

TELEPHONE NO: 273-9421

THRU:

SUBJECT: Legislative Request

FROM:  Steve Baden, Chief
Energy Programs
Rural Development Division

This is in response to your request for information regarding how much funding the Department's energy demand side management programs could effectively spend if Railbelt Energy Funds would be appropriated. It is assumed that the spending plans would cover a five year span.

All of these programs foster the adoption of cost effective demand side/energy efficiency measures that have been shown to have favorable benefit-cost ratios. These programs address market mechanism failures that impeded the adoption of economical energy-saving measures even at the expense of highly attractive potential returns in the future. These programs would also create jobs and enhance families incomes.

Low Income Weatherization

The program could effectively use a \$20 million appropriation. Such an appropriation would make the homes of 8,000 lower income families healthier, more comfortable and more affordable to heat.

Residential Energy Efficiency Improvements

An appropriation of \$11 million would support such successful efforts as home energy ratings, loan buy-downs and rebates for making energy improvements to residencies and purchasing energy efficient appliances. Such an appropriation would result in energy ratings and infiltration testing and loan buy-downs and rebates for energy improvements and energy efficient appliances for over 10,000 households.

Business Energy Efficiency Improvements

With \$10 million over 5,000 businesses throughout Alaska would receive technical assistance, rebates and low interest loans to be more competitive through reducing their overhead by energy efficiency.

Page Two

Institutional Facilities Demand Side Management

With a \$10 million revolving loan fund the necessary capital would be available to provide innovative financing through such means as shared savings contracts, leveraging federal funding and low interest loans for schools, hospitals and local governments to undertake engineering analysis and make much needed energy improvements to their facilities.

Energy Education/Technical Assistance

\$750,000 would allow a comprehensive education/technical assistance program to educate Alaskans on the importance of energy efficiency and provide them with information on practical and cost effective information on what they can do to reduce their energy costs.

I have attached a description of the Department's demand side and energy efficiency programs as well as an analysis of jobs and income produced from energy efficiency programs that was prepared by the University of Alaska's Institute of Social and Economic Research. Please call me if you have additional questions.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
DEMAND SIDE MANAGEMENT/ENERGY EFFICIENCY PROGRAMS

States and utilities across the nation have discovered saving energy in many cases is a much better investment than new power facilities. President George Bush's National Energy Strategy found that: "Greater energy efficiency can reduce energy costs to consumers, enhance environmental quality, maintain and enhance our standard of living, increase our freedom and energy security and promote a strong economy." The potential for energy efficiency in the Railbelt is best illustrated in the Railbelt energy alternatives study conducted by the Alaska Energy Authority. The study found that there were a number of energy efficiency strategies that have highly favorable benefit-cost ratios under all fuel price and energy load forecasts.

LOW INCOME WEATHERIZATION

The weatherization program reduces the cost of heating for those Alaskans who can least afford high energy costs by an average of 20%. A recent study by the University of Alaska's Institute of Social and Economic Research found that the weatherization program generated more jobs and personal income per dollar than any other state funded capital project. The Department estimates that there are approximately 30,000 households in the state that require weatherization assistance. Until 1986 this program received an annual capital budget of over \$6 million a year. FY 92 budget request is \$4.5 million of which \$2.5 million is federal funds.

ENERGY RATED HOMES OF ALASKA

Energy Rated Homes of Alaska is a nationally recognized innovative partnership between the State of Alaska and the state's housing industry to incorporate energy efficiency into the financing of homes. The program offers ratings of homes according to their energy efficiency and allows this rating to be credited into the mortgage loan. This makes higher quality homes more affordable for Alaskans of every income level. The program also educates homeowners how they can improve the energy efficiency of their homes and drives the home energy loan and rebate programs. There are currently energy raters in every region of the state. The program is recognized by the Alaska Housing Finance Corporation, Fannie Mae, Freddie Mac, FHA, and rural regional housing authorities. Energy Rated Homes ties all of the state's energy efficient housing efforts together. The program's annual allocation of \$150,000 in oil overcharge settlement funds will expire in FY 1993.

HOME ENERGY EFFICIENCY PROGRAM

The program offers loan buy downs and rebates to Alaskans to improve the energy efficiency of their homes and appliances. The program offers a sliding financial incentive according to the level of energy efficiency achieved through a home energy rating from the

Page Two

Energy Rated Homes of Alaska program. \$1 million in one-time-only oil federal court oil overcharge settlement funds have been allocated to the program.

ALASKA CRAFTSMAN HOME PROGRAM

This programs promotes the training of Alaskan contractors on northern building science and encourages the construction of homes that are warmer, healthier and more affordable. The program is an another innovative program that has achieved national recognition. Homes built to the programs voluntary standard can save up to 50-80% of the cost of heating a home. In the first three years of the program over 1,500 builders, designers and home owners have been trained under the program. Currently there are over 150 homes that are being planned to constructed to the program's standard. The program is being funded for FY 1992 and 1993 through a state capital appropriation of \$600,000.

BUSINESS ENERGY ASSISTANCE TEAM

This program is a technical assistance program to assist Alaskan businesses to become more competitive by reducing their overhead costs through energy efficiency. The program features an computerized energy use analysis and trained energy use analysts throughout the state who will undertake energy use surveys of businesses free of charge and recommend energy improvements. The program also offers rebates to businesses to undertake the recommended energy improvements. Most of the improvements will pay for themselves in energy savings in less than two years. The program has been allocated \$386,500 has been budgeted in FY 1992 in one-time-only oil overcharge funds. The program can be given an important boost through state participation in the financing demand side improvements. Despite the economic attractiveness of energy efficiency most small businesses lack the necessary capital for the up front costs of making the energy improvements.

INSTITUTIONAL CONSERVATION PROGRAM

Federal program that provides funding for schools and hospitals to undertake engineering analysis and install energy efficiency improvements. Annual budget is \$300,000. Because the relatively small amount of money and the federal grant requires 100% match by the institution the program is widely not taken advantage of. This program can be made more effective through funding to assist the institutions meet the required match requirements.

CAPITAL PROJECTS RETROFIT PROGRAM

The State of Alaska has invested hundreds of million of dollars on community facilities. Because of the economic downturn and high utility bills many communities are hard strapped to continue to

Page Three

operate the facilities. This program is aimed at local government facilities. The program features a circuit rider that undertakes energy audits of facilities and makes recommendations on how to reduce their operating costs, heating system analysis and demonstration projects. \$100,000 has been budgeted in FY 1992 in one-time-only oil overcharge funds. This program can be leveraged through providing state grant funds for communities to make the improvements recommended by the energy audit.

ENERGY RESOURCE AND INFORMATION CENTER

This program offers technical assistance and referral to Alaskans on reducing their energy costs. The center features a full time resource person, a state-wide toll free energy information hot line, a library with the largest collection of energy efficiency and renewable energy publications in the state, and traveling libraries that are circulated to rural communities whose residents do not have access to energy information. The center is budgeted in FY 1992 for \$35,000 in oil overcharge funds.

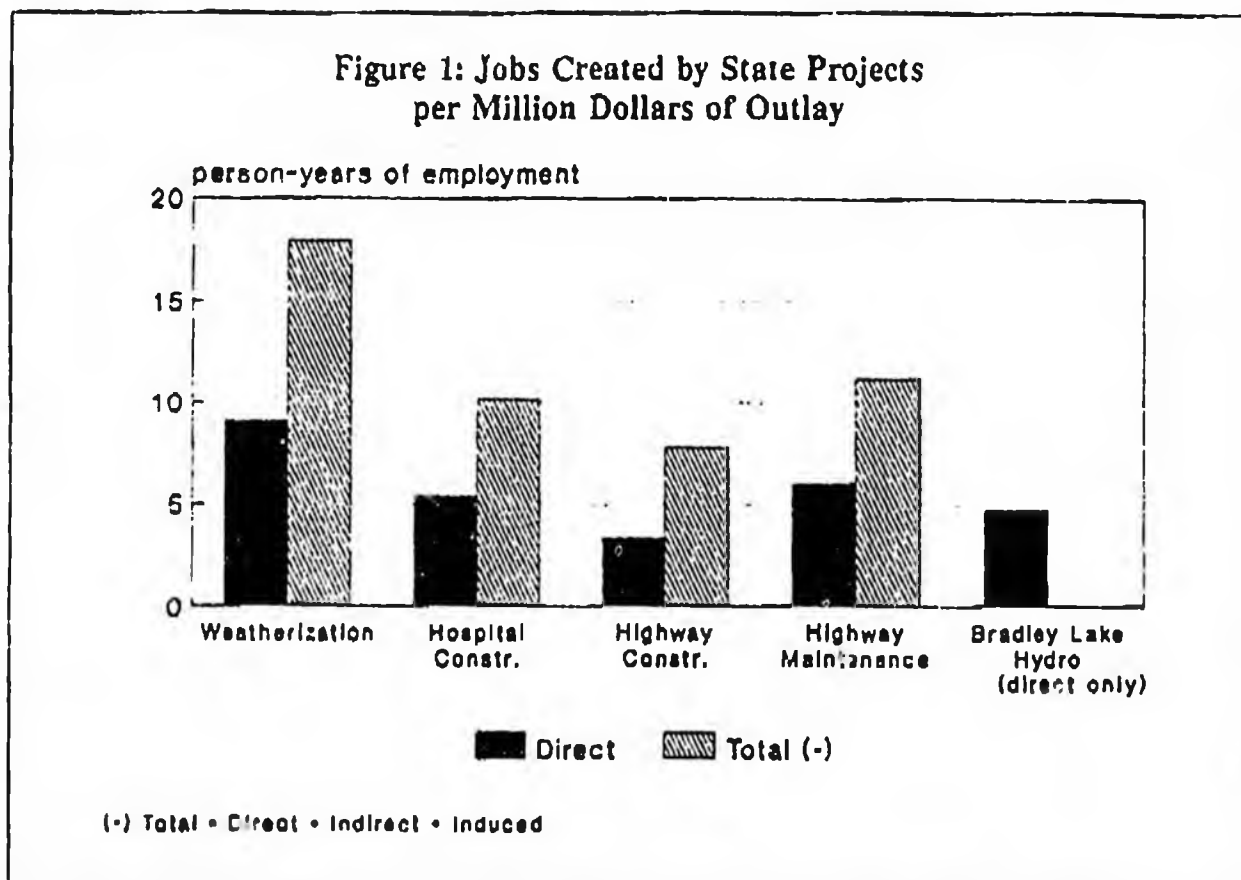
Jobs and Income from Energy Efficiency Programs

Steve Colt

Institute of Social and Economic Research, Anchorage, Alaska

State spending on low-income weatherization projects creates more jobs and personal income per dollar of outlay than any other type of capital project of which we are aware. During the installation phase, the weatherization program generates jobs and personal income at all levels of the Alaska economy: Villages, regional centers, and urban areas all benefit. These jobs and income come from *direct* use of labor, from *indirect* jobs in the transportation, air freight, and trade sectors, and from the *induced* respending of project-related wages. In addition to the one-time effects from the installation phase, the program provides a sustained economic boost to local residents in the form of reduced energy bills.

Installation Phase. During the installation phase, an expenditure of \$1 million on weatherization creates the equivalent of 18 full-time jobs lasting one year and boosts Alaska personal income by \$500,000. Even though the program is targeted towards rural areas, the urban economy receives most of the economic stimulus from the installation phase.



Recurring Savings. After installation is complete, program participants enjoy a sustained drop in their energy bills. These savings are spent and re-spent throughout the Alaska economy. As a result, there is a *sustained* annual increase in personal income of about \$143,000 for every million dollars of original program expenditure. Most of this ongoing benefit accrues to local residents.

As table 1 shows, weatherization projects create almost three times as many direct jobs as highway construction and almost twice as many as the Bradley Lake hydroelectric project. This result is not surprising, given the labor-intensive nature of the weatherization process and the relatively low wages paid to even the skilled labor employed.

Table 1: Comparative Economic Impacts of \$1 Million of State Outlays

Project Type	Alaskan Jobs Created (person-years)		Personal Income Generated (Thousand \$)		Data Source
	Direct	Total ^(a)	Direct	Total ^(a)	
Weatherization	9.0	17.9	281	500	(1)
Hospital Construction	5.4	10.2	252	381	(2)
Highway Construction	3.3	7.8	216	347	(2)
Highway Maintenance	6.0	11.2	371	524	(2)
Bradley Lake Hydro	4.8	NA	NA	NA	(3)

(a): Total = Direct + Indirect + Induced
Source numbers refer to references cited at the end of this summary

Summary of Impacts. Table 2 summarizes our estimates of both installation phase and recurring economic impacts from a \$1 million weatherization expenditure targeted toward a rural village. The four columns show our estimates of where the employment and income is actually generated. Although the program analysed here is targeted for a rural area, significant employment and income is generated in the regional and urban economies, since these areas supply skilled labor, materials, and freight services to the project effort.

Table 2: Economic Impacts of a \$1 Million Expenditure on Weatherization

Project Impacts	Local	Regional	Urban	State
Personal Income (\$)				
Direct	27,879	0	252,658	280,537
Indirect	11,952	50,024	54,160	116,136
Induced	3,846	10,472	92,376	103,349
Total Project Personal Income	43,678	60,996	399,195	500,022
Employment (person-years)				
Direct	1.5	0.0	7.5	9.0
Indirect	0.6	1.7	2.3	4.6
Induced	0.2	0.5	3.7	4.2
Total Project Employment	2.4	2.2	13.5	17.9
Recurring Personal Income				
Direct	134,834	0	0	134,834
Induced	13,020	21,395	5,281	39,697
Displacement	(11,732)	(9,354)	(10,134)	(31,219)
Total Recurring Personal Income	136,122	12,041	(4,852)	143,311

References

- (1) Colt, Steve, 1989. *Income and Employment Impacts of Energy Efficiency Programs*. ISER Working Paper 89.2. UAA Institute of Social and Economic Research, Anchorage Alaska.
- (2) Goldsmith, Scott, 1982. *Assessing the Economic Impacts of Capital Expenditures*. UAA, Institute of Social and Economic Research, Anchorage Alaska.
- (3) Letter of 8 December 1989 from David Eberle, Bradley Lake Project Manager, AEA, to Steve Colt.

MEMORANDUM

State of Alaska
Office of the Governor
Office of Management and Budget
Office of the Director

TO: J. Shelby Stastny
Director
Office of Management & Budget

DATE: February 7, 1991

FROM: Jack Kreinheder 
Senior Policy Analyst

PHONE: 465-3568

SUBJECT: Capital Budget Funding to Reduce Energy Costs

Summary and Recommendations

The State of Alaska spends in excess of \$40 million per year on energy for State buildings, vehicles, and the Power Cost Equalization program. Improving the efficiency of State energy use offers one of the most cost-effective ways to reduce State spending, with little or no impact on public services. As you know, nearly every State program has a constituency which makes it difficult to cut spending. The only benefactors of wasteful State energy use are the power companies and the oil dealers, and they can't really complain about the State making its operations more efficient.

A comprehensive energy efficiency program could yield a 20-30 percent annual return on the funds invested—two to three times the earnings rate of the Permanent Fund. Previous State efforts to reduce energy costs, with limited exceptions, have been sporadic at best, and examples of wasteful energy use in State facilities are common.

Accurately estimating the potential for State energy savings will require detailed surveys of each facility or program, but my research suggests that reducing energy use by 20-25 percent, or \$8 to \$10 million per year, is a realistic long-term goal. Achieving this level of savings could require investing approximately \$25 - \$35 million over a period of years.

Recommendation: An energy efficiency fund. There are several alternatives for financing energy efficiency improvements; however, the approach which would provide the greatest overall savings to the State is to capitalize a revolving fund for energy efficiency investments. This approach has been successfully used by the State of Washington since 1986. This is how the fund would work:

- The energy efficiency fund would be capitalized with an initial non-lapsing appropriation.
- A relatively small amount of money from the fund would be used to survey State facilities to determine the most cost-effective projects.
- State agencies would borrow money from the fund to make energy efficiency improvements.

- One portion of the annual energy savings would go to the general fund, a second portion would be retained by the agency (and could be used for deferred maintenance or additional energy projects), and the third portion would repay the loan to the fund over a period of years. When the loan is repaid, this third portion of the savings would revert to the general fund.
- Additional energy-saving projects would be financed from repayments to the fund until no other cost-effective efficiency opportunities could be identified, at which time the fund balance could be reappropriated for other purposes.

The amount required for the initial appropriation to the fund depends naturally on funds available and on how rapidly we want to reduce the State's energy bills. An appropriation in the \$2 - 5 million range would allow substantial reductions in energy costs to be achieved fairly quickly. An appropriation of less than \$1 million would take many years to finance the full range of energy-saving opportunities available, and an alternative financing approach might be more effective in this case.

The State's Current Energy Use

As noted above, an accurate assessment of the potential dollar savings from improving the energy efficiency of State facilities will require surveys of each facility. But the fact that little has been done to reduce energy consumption in most facilities since they were built, combined with the experiences of other states and Alaska's cold climate, suggests that the potential savings are large. My research indicates that there appear to be few other state governments in which energy efficiency and costs have as low a priority as in Alaska — an ironic situation given our climate and the high cost of energy in many areas of Alaska.

Examples of inefficient State energy use are widespread, most visibly in the lighting of State buildings. Lighting typically is responsible for more than 50 percent of the power bills for office buildings. Incandescent lighting is common in the hallways, lobbies and stairwells of State buildings, when fluorescent lighting could reduce this lighting cost by more than 75 percent. Some hallways are lit much more brightly than office areas, indicating that little or no attention has been given to appropriate lighting levels. The Municipality of Anchorage and two of the largest Anchorage hotels have been able to cut their power bills significantly through lighting improvements. Other types of energy use are not as visible, but may well offer comparable savings potential.

Why have these large energy savings in State buildings been mostly ignored? There are several reasons:

- The responsible agency managers have placed a low priority on reducing energy costs. To be fair, in many cases more pressing problems have prevented these managers from having the time to deal with energy costs.
- As indicated by the major backlog of deferred maintenance needs across the state, most managers of State facilities have not had the staff or budget resources

to keep up even with routine maintenance needs, much less make improvements to their facilities. Even if a building manager identifies a potential improvement with a payback of only two years, most maintenance and operations budgets simply don't have sufficient funds to pay for such improvements.

- The technology for improving energy efficiency has changed rapidly over the last five to ten years, and is not well-known in Alaska.

Alternative Approaches

An energy efficiency fund is not the only way to finance energy-saving projects. Financing methods which have been successfully used by other states include:

- The sale of revenue bonds, with the bonds repaid from energy savings. California has sold over \$65 million in energy efficiency bonds.
- Third party financing, also known as energy performance contracting. Under this approach, vendors install energy-saving equipment at no up-front cost to the state, in exchange for a portion of the energy savings over a period of years. Many states and the federal government have used this approach.
- Lease purchase arrangements. This is a variation on third party financing, which also avoids the need for an up-front cash outlay to finance projects.

If insufficient funds are available in the capital budget to establish an energy efficiency revolving fund, I recommend that we pursue one or more of these financing alternatives. However, all of these options have their price: the State would have to give up a significant portion of the energy savings to repay the revenue bonds, the third party financier, or the equipment lessor. Using a portion of the FY 91 revenue surplus to establish an energy efficiency fund would provide much higher net dollar savings to the state.

Please let me know if you have any questions or need additional information about this proposal.



Analysis North

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February 28, 1991

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Dear Mr. Emerman:

Thank you for the invitation to review the "Railbelt Intertie Feasibility Study", Draft Report, January 1991. Except for new intertie cost estimates that assume very little Alaska Energy Authority (AEA) involvement with the construction of the interties, this report primarily repackages and comments on information from older studies concerning the projects. Prior work by the Alaska Energy Authority on the topic of Railbelt intertie benefits has been more even-handed in its presentation. In particular, the "Railbelt Intertie Reconnaissance Study" (AEA-Recon), June 1989, and the February 15, 1990 memo from you to Robert E. LeResche, "Review of Railbelt Utility Intertie Analysis", presented a fairer picture of the benefits of intertie upgrades, in my opinion. I understand that this current report "was drafted to explain the reasons for the position reached by LeResche and the agency's board", perhaps explaining the more optimistic conclusions concerning intertie cost-effectiveness contained in the report.

Because there is little new information in this report, I have not changed my previous conclusion that the limited upgrade of the Anchorage-Fairbanks line is probably cost-effective, and that new lines from Anchorage to the Kenai Peninsula and from Healy to Fairbanks are probably *not* cost-effective. Those conclusions were supported in substantial detail in "A review of 'Economic Feasibility of the Proposed 138 kV Transmission Lines in the Railbelt'", February 1990 by Analysis North. The only additional comments I would like to make concern Railbelt power reliability and the interties' expected impact on reliability. Project advocates have continually touted the reliability benefits of the interties, but the utility-funded analysis of the projects indicates that the interties will reduce power outages by an average of 26 minutes per customer per year, a relatively small impact compared to the 5.5 hours per year that the average Railbelt customer is without power.

Although this review offers comments on the cost-effectiveness of the intertie projects, I believe that a Legislative debate about the technical and economic details of the projects is

¹*Anchorage Daily News*, "Intertie Line Backers Try for Funding", Tom Kizzia, February 10, 1990.

somewhat pointless. The best way to ensure that the intertie projects are built if they are cost-effective, or not built if they are not cost-effective, is to provide no specific subsidy for their construction. The Railbelt utilities' capital investment process is not perfect, but it is more accurate than the outcome of a Legislative debate concerning intertie merits. The Railbelt utilities will build the interties if they make sense. The Legislature can still lower electric rates with the remainder of the Railbelt Energy Fund by using the fund to pay off or make payments on existing Railbelt utility debt, or using the fund to provide a credit on each customer's monthly electric bill. Providing generic subsidies such as these would not distort the utilities' normal decision-making process concerning capital investments and operating choices.

To facilitate the discussion in the following sections, I will use the following abbreviations to designate the various intertie studies:

AEA-Recon - "Railbelt Intertie Reconnaissance Study", June 1989, prepared by Decision Focus Inc. (DFI) for the Alaska Energy Authority. \$2 million AEA analysis of 230 kV Railbelt interties and other Railbelt energy projects.

Utility-DFI - "Economic Feasibility of the Proposed 138 kV Transmission Lines in the Railbelt", December 1989, prepared by Decision Focus Inc. for the Railbelt electric utilities. Utility-funded analysis of 138 kV intertie proposals.

AEA-Feasibility - "Railbelt Intertie Feasibility Study", January 1991, prepared by the Alaska Energy Authority. The study that is the subject of this review.

Interties Are Not the Cure-All for Railbelt Reliability Problems

This new study gives the impression that the Railbelt is on the brink of a reliability disaster, and new interties will solve the problem. An overall look at power reliability statistics and estimates of the reliability improvement expected from the interties indicates otherwise. Figure 1 gives power outage statistics for most of the Railbelt utilities and a sampling of non-Alaskan utilities. The figure shows the average hours of power outage during the year incurred by a typical customer of the utility. About half of the Railbelt outage hours are due to problems with generation plants and problems with high-power transmission lines. The rest of the outages are caused by problems with lower-power distribution lines, the power lines found in neighborhoods and subdivisions. The recent Christmas episode of ice-laden trees short-circuiting Railbelt power lines was a distribution line problem.

New interties can affect generation and transmission-related power outages but do not reduce distribution-related outages, roughly half of Railbelt customer outage hours. Even if the interties were the perfect cure for generation and transmission problems in the Railbelt, customers would still suffer significant outages due to distribution line problems.

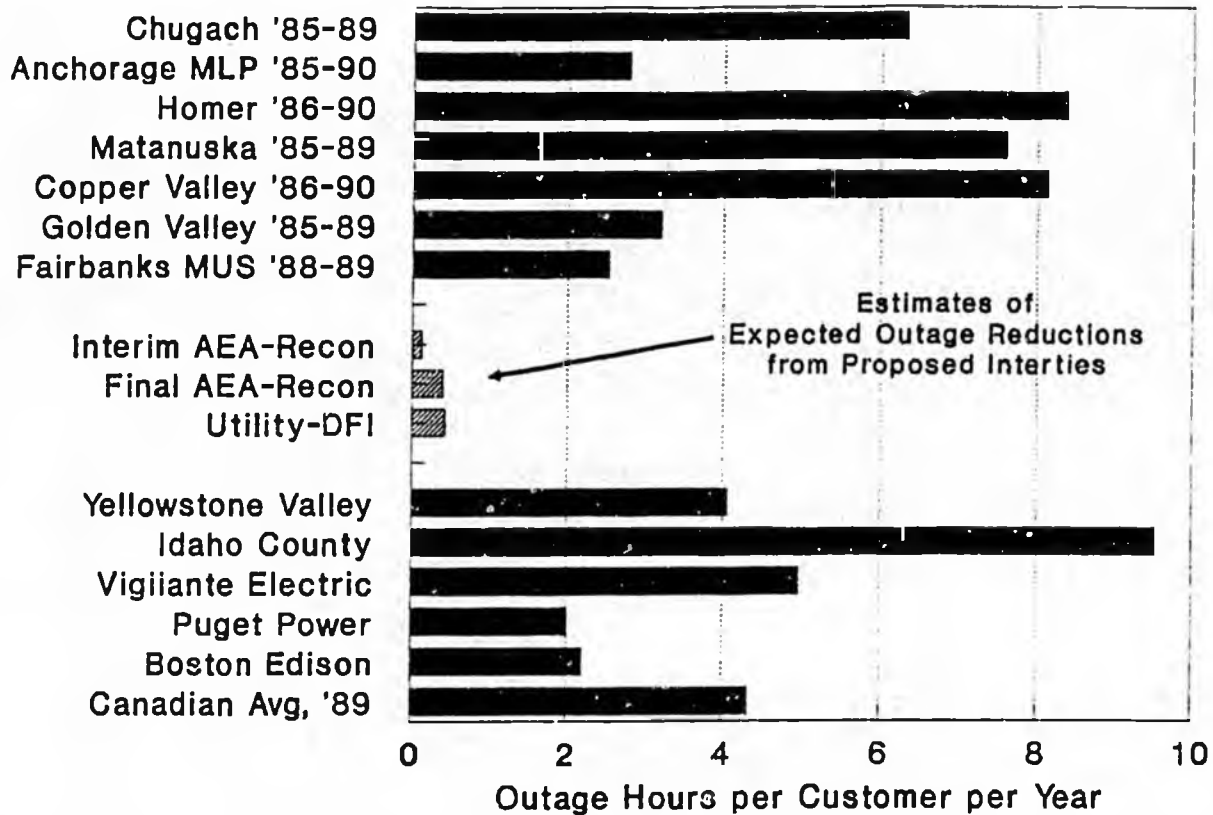


Figure 1 - Power Outage Comparison. Seward Electric System data not available. Other data from direct communication with utilities and from AEA "Alaska Electric Power Statistics", 1988-89.

However, the new interties are not expected to be the perfect cure for all generation and transmission problems. The first estimate of improved reliability due to the new interties was a 7 minute per year average reduction in power outages (not counting the Northeast intertie through Glennallen). This estimate was presented in the Interim Report of the AEA Intertie Reconnaissance study. After the review process--a process dominated by project advocates--the final AEA-Recon estimate was increased to about 24 minutes per year. The next analysis was funded by the Railbelt utilities, Utility-DFI, and determined the reliability improvement due to the proposed interties to be about 26 minutes, a relatively small decrease compared to the total outage time of about 5.5 hours per typical Railbelt customer per year, as shown in Figure 1. These outage reduction estimates are averaged across all Railbelt customers; Kenai Peninsula customers will benefit the most, and Fairbanks customers will benefit the least.

Railbelt Power Reliability Is Not Dramatically Different from Lower-48 and Canadian Reliability

Figure 1 also compares Railbelt reliability to reliability in the Lower 48 and Canada. The small REA electric cooperatives in the Figure--Yellowstone Valley (Montana), Idaho County, and Vigilante Electric (Montana)--have relatively high outage rates from 4 to 10 hours per year per customer. The larger utilities--Puget Power (Washington State) have outages times near 2 hours per customer per year. Fairbanks utilities and Anchorage Municipal Light and Power have outage times not far above these larger Lower-48 utilities. Finally, an extensive survey of Canadian utilities done by the Canadian Electrical Association determined that Canadian customers were out of power an average of 4.3 hours during 1989.

Reliability Benefits Have Been Included in the Past Intertic Cost/Benefit Analyses

In the AEA-Recon study, the 24 minute per year power outage reduction was valued at \$19 million (1991 \$); i.e., the authors assumed that consumers would be willing to make a one-time payment of \$19 million to achieve a 24 minute per year outage reduction over the next 35 years. In Utility-DFI, a higher value was placed on power reliability; the 26 minute per year reduction for 40-50 years was valued at \$54 million (1991 \$).² In my review of Utility-DFI, I argued that both the estimate of reduced power outage minutes and the valuation of that reliability improvement were excessive. I believe that the reliability benefits presented in the AEA-Recon analysis are more accurate. Note that the Utility-DFI valuation of power reliability implies that Railbelt consumers should be willing to pay about \$660 million (\$3,900 per customer) to have perfectly reliable power (no outages) for the next 40-50 years.

The NERC Railbelt Reliability Study Suggests Rules-of-Thumb that Are Probably Not Applicable in Alaska

The AEA-Recon analysis and the Utility-DFI analysis approached the question of the reliability impact of the proposed interties by attempting to identify specific types of system outages that would be avoided by the existence of new interties. Estimates of the number, magnitude, and duration of these avoided outages were used to determine that the interties would reduce customer outages by 24 - 26 minutes. The Railbelt utilities also initiated a separate reliability review of the Railbelt system by the North American Electric Reliability Council, NERC. This review is cited frequently in the AEA-Feasibility study and is included as an appendix in the study.

²The Utility-DFI study assumed a longer intertie life than the AEA-Recon study.