

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8383 SENATE LABOR & COMMERCE

### 9.3 Union Campus Representative

- A. If the Union representative becomes subject to disciplinary action of any nature, then the appropriate senior Union representative will be so notified and will together with the appropriate University administrator jointly investigate and report on the situation to the President of the Union and the President of the University within five (5) working days. Only following this investigation can the disciplinary process proceed.
- B. Official business between the Union and the University at each campus will be conducted through one designated Union representative.
- C. The Union shall provide the University with a list of duly certified officers, Union representatives, and senior representatives, including names, official addresses, and phone numbers, and maintain that list's currency.
- D. Substitutes will be provided for a Union campus representative from each campus to attend a regularly scheduled Union meeting on the first Friday of each month if the meeting conflicts with the representative's classroom duties or other duties for non-classroom members.
- E. Union Campus Representatives shall have their work assignment reduced according to the following schedule:
  - 1. The Campus Representatives who teach on those campuses where there are nine (9) or fewer Faculty Members shall have this activity fulfill a portion of their non-teaching assignment.
  - 2. The Campus Representatives who teach on those campuses where there are ten (10) or more Faculty Members shall have this activity fulfill their non-teaching assignment.
  - 3. Non-teaching Faculty Members shall have their workload reduced commensurately.

### 9.4 Union Use of University Facilities

- A. The Union may use the University's meeting facilities on the same basis as other organizations are permitted to use University facilities.
- B. The Union shall be permitted to use the University mail service for the purposes of intra-campus distribution on the same basis as other organizations are permitted to use University facilities.
- C. The University shall designate reasonable bulletin-board space for the posting of official Union notices at each campus at which a Faculty Member is employed.
- D. University support services shall be provided the Union on the same basis as any other campus organization.

### **9.5 Union Office Space**

The University will provide an unfurnished office in Building K, Room 206B or equivalent, with heat, lights, power, and two (2) telephone stations to the Union.

### **9.6 Released Time**

- A. The Union President shall receive a release of six (6) credit hours or equivalent. The Union President's employment contract may at the Union's option be reduced by an additional six (6) credit hours or equivalent at the Union's expense without prejudice.
- B. The Union Treasurer's employment contract may at the Union's option be reduced by three (3) credit hours or equivalent without prejudice.
- D. The Statewide Grievance Chairperson shall receive a release of six (6) credit hours or equivalent without prejudice.
- E. The Union shall receive five (5) three (3) credit hour or equivalent releases for use in conducting business under Article 11.
- F. The Union shall notify the University at least sixty (60) days prior to the beginning of a semester as to the Faculty Members who are to receive releases.
- G. Reductions in appointments made at the Union's option under this Article shall impose upon the Union the obligation to pay the cost of University approved substitutes for the optional time so reduced.

## **ARTICLE 10**

### **No Strike or Lockout**

During the period of this Agreement, the Union will not cause or condone its members, nor will it encourage, cause or sanction other Faculty Members, to take part in any strike, work stoppage, work interruption, or activity which would violate the Public Employment Relations Act, as amended. The University will not engage in any lockout during the period of this Agreement. The University will not cause or condone its supervisory employees, nor will it encourage, cause, or sanction other University employees, to take part in any lockout or activity which would violate the Public Employment Relations Act, as amended, during the period of this Agreement.

## **ARTICLE 11**

### **Availability of the Parties**

The Union and the University agree that they will meet and confer at reasonable times concerning this Agreement, its interpretations, continuations, or modification. Both parties agree that an obligation exists to meet and confer expeditiously and in good faith. If no agreement is reached, the Agreement will remain unchanged. It is agreed that a meeting may be requested by either party to this Agreement, at any time, and that

such a meeting will be scheduled within five (5) working days from the time such notice or request is given.

## ARTICLE 12

### Scope and Interpretation

#### 12.1 Past Practices

- A. This Agreement shall supersede any rules, regulations, or practices of the University which shall be contrary to or inconsistent with its terms, and supersedes and cancels all previous Agreements, verbal or written or based on alleged past practices, between the University and the Union, and shall constitute the entire Agreement between the parties. Any amendment or agreement supplemental hereto shall not be binding upon either party until such amendment or agreement has been reduced to writing and duly ratified by both parties. This Agreement shall likewise supersede any contrary or inconsistent terms contained in any individual contracts of Faculty Members.
- B. The University shall make no change of policy, regulation, or rule conflicting with matters in this Agreement during the period that this Agreement is in force, except through agreement with the Union.

#### 12.2 Management Rights

The parties agree that all of the rights and responsibilities of the University which have not been specifically provided for in this Agreement are retained in the University alone. The University's responsibility to determine the structure and goals, purposes, functions, and policies of the University shall extend but not be limited to the following:

- A. Except as provided elsewhere to the contrary: to classify and reclassify personnel; to direct employees; to determine qualifications, standards for work, and to hire, transfer, shift, allocate and assign work within the Faculty Members, retain employees in positions, evaluate and to reprimand, reprove, suspend, demote, or discharge for just cause; to relieve an employee from duty because of lack of work or other legitimate reasons such as illness; to take action necessary to maintain the cost effectiveness of University operations; to determine the means, methods, and personnel by which the University's operations and programs are to be conducted; to take such actions as may be necessary to carry out the missions of the University in case of emergencies; and to make rules, regulations, and policies not inconsistent with the provisions of this Agreement and to require compliance therewith, subject to the right to grieve as provided in this Agreement.
- B. Where a goal, purpose, function, or policy is provided for expressly elsewhere in this Agreement, such provision shall control over the preceding paragraph.
- C. Any other provision of this Agreement notwithstanding, nothing in this Agreement shall in any way limit the right of the University to add, delete, or alter any community college, extended site, campus or

other educational facility, and in no way requires that such community college, extended site, campus or other educational facility be maintained at any location specified by this Agreement or existing as of the date of this Agreement.

- D. No Faculty Member may be assigned work against their will which disqualifies them from the bargaining unit.

### **12.3 Zipper Clause**

The parties acknowledge that during the negotiations which resulted in this Agreement each had the unlimited right and opportunity to make demands and proposals with respect to any subject or matter not removed by law from the area of collective bargaining and that the understandings and agreements arrived at by the parties after the exercise of that right and opportunity are set forth in this Agreement. Therefore, the Union and the University, for the life of this Agreement, each voluntarily and unqualifiedly waives the right, and each agrees that the other shall not be obligated, to bargain collectively with respect to any subject or matter referred to or covered by this Agreement and with respect to any subject or matter not specifically referred to or covered in this Agreement, even though such subject may not have been within the knowledge and contemplation of either or both of the parties at the time that they negotiated or signed this Agreement.

### **12.4 Savings Clause**

- A. If any decision of any legislative body or court or administrative body of competent jurisdiction affects any provision or application of this Agreement, or requires conduct inconsistent with any provision or application of this Agreement, then such provision or application shall not be deemed valid and subsisting, except to the extent permitted by law, but all other provisions and applications shall continue in full force and effect.
- B. In the event of any such court or administrative decision or in the event of failure of the Legislature to appropriate money or enact legislation as expressly contemplated herein, the parties agree that, upon written request by either party, the parties shall promptly reopen this Agreement for the specific and limited purpose of negotiating language to deal with the application ruled invalid or not appropriated or not enacted or to replace the provisions ruled invalid. If this Agreement is so reopened, all the remaining terms shall remain in effect. The written request shall state what provisions or applications were invalidated upon which it is proposed to negotiate, the substance of the rights affected, and the substance of the proposed amended provisions.

### **12.5 Legislative Appropriation**

- A. No legislative appropriation requested by the University, with regard to funding this Agreement, shall be made without prior discussion with the Union pursuant to Article 11. The University shall give adequate notice to the Union of such requests as to provide reasonable response time from the Union. The University shall request and actively support full funding of this Agreement.

B. It is agreed by and between the parties that any provision of this Agreement requiring legislative action to permit its implementation, by amendment of law or by providing additional funds therefore, shall not become effective until the appropriate legislative body has given approval.

## APPENDIX A

### Special Transitional Provisions

#### 1. Salary Adjustment

- A. Faculty Members at Prince William Sound Community College shall receive retroactive salary adjustments in the same percentage amount of salary base adjustments, and in the same dollar amount for salary bonuses as received by other University employees but not by Prince William Sound Community College Faculty Members for fiscal years 1990, 1991 and 1992 to the extent that such Faculty Members would have otherwise qualified for such increases at the time such increases was received by University employees.
- B. Faculty Members who did not receive a salary adjustment for fiscal year 1990 in the same percentage amount of salary base adjustment received by other University employees solely because of their failure to sign a statement agreeing to return such increase should the Faculty Member subsequently be determined to be in a collective bargaining unit shall receive a retroactive salary adjustment of the amount not received by reason of the failure to sign such statement.

#### 2. Academic Rank and Tenure

Faculty Members at Prince William Sound Community College shall be granted academic rank and tenure or tenure track status by application of Board of Regents Policy 04.12.01, except that the date for the calculation of service for tenure eligibility in Policy 04.12.01.B shall be June 30, 1992, and the academic year for nontenured individuals to stand for tenure shall be not later than the 1998-99 academic year.

#### 3. Procedures and Practices

Unless otherwise provided by this Agreement, the procedures and practices of the University of Alaska Anchorage shall apply to Prince William Sound Community College for those provisions of this Agreement providing for the application of procedures and practices of a campus.

## APPENDIX B

### Resolution of Disputes

#### Totally of Agreement

It is the intent of the parties to this Agreement to resolve all outstanding disputes concerning the representational status of the Union. It is agreed that upon the ratification of this Agreement by the parties, the Union shall cause to be dismissed with prejudice: all lawsuits against the University of Alaska concerning the Union's representational status including, but not limited to, *ACCFT v. University of Alaska and the State of Alaska*, Case No. 3AN-91-5268 CIV; all prohibited practices and other proceedings concerning the representational status of the Union and the University's dealings with the Union since 1986 before the Alaska Labor Relations Agency, including, but not limited to, *ACCFT v. University of Alaska*, ULPC 87-7, now 92-064-ULP, *ACCFT v. Prince William Sound Community College and University of Alaska*, 92-072-ULP and *ACCFT v. University of Alaska, Jerome Komisar and William Kauffman*, 92-085-ULP; all grievances filed by the Union against the University or University officers as of the date of this agreement, including, but not limited to, the grievance(s) of Ralph McGrath and Don Mohr which was the subject of litigation in *McGrath and Mohr, et al. v. University of Alaska*, originally Case No. 3AN-88-8936, and which is presently being scheduled for a formal grievance hearing under the provisions of the University grievance policy. Additionally, the Union agrees to withdraw the Union's opposition to certain legislation proposed by the University, specifically House Bill 549, and to withdraw the Union's support of House Concurrent Resolution 55.

The University agrees that subject to legislative appropriation, the University will:

1. Pay to the Union dues and agency fees that would have been paid to the Union by the University and which was not received by the Union from any other source from April 1, 1989, through the date of this Agreement for those Faculty Members who were formerly employed at a community college and who accepted transfer opportunities to the University of Alaska July 1, 1987, less persons who died, resigned or retired plus the persons hired to replace such persons, provided such replacement is teaching what is known as of the date of this Agreement as a bipartite assignment.
2. Pay to the Union such amount as to reimburse the Union for conference calls among campus representatives held in lieu of monthly meetings between April, 1989, and the date of this Agreement.
3. Pay campus representatives three days' pay for the 1989-90, 1990-91 and 1991-92.
4. Pay to individuals holding the indicated Union offices the following percentages of salaries from April 1, 1989, to the date of this Agreement: 40% to the Union president; 10% to the statewide grievance chair; 10% to the Union Treasurer; and 10% to the Union's salary placement chair.
5. Pay to each person described in subsection 1 of this Article above the sum of \$2,500 if they were employed by the University of Alaska in academic year 1989-90; \$2,500 if they were employed by the University of Alaska in academic year 1990-91; and \$2,500 if they were employed by the University of Alaska in academic year 1991-92.

6. Notify persons described in subsection 1 above who were terminated between April 1, 1989, and the effective date of this Agreement of their right to challenge such terminations through the grievance procedure of this Agreement based on violation, misapplication or misinterpretation of University policies and procedures in place at the time of the termination and their right to Union representation in processing such grievances.

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# UNIVERSITY OF ALASKA ANCHORAGE

3890 University Lake Drive  
Anchorage, Alaska 99508

PERSONNEL SERVICES

*LIA -  
Collective Bargaining Agreements*

DATE: 15 March 1993

## FAX COVER SHEET

TO: SENATOR TIM KELLY

FROM: WILLIAM R. KAUFFMAN

LOCATION: JUNEAU

UNIVERSITY OF ALASKA  
LOCATION: FAIRBANKS

PHONE #: 465-3822

PHONE #: 474-7259

FAX #: 465-3756

FAX #: 474-5574

NUMBER OF PAGES: 19  
(INCLUDING COVER SHEET)

IF THERE ARE ANY PROBLEMS IN THIS TRANSMISSION, PLEASE CALL  
AMANDA ANDRADE, 786-4729 (FAX: 786-4727)

COMMENTS: ATTENTION: MAX GIFFORD

Mr. Gifford, this is the information discussed on Thursday last which  
Senator Kelly requested with regard to SB117.

INITIALS OF PERSON SENDING FAX: AA



**UNIVERSITY OF ALASKA**  
*Office of the General Counsel*  
203 Butrovich Building  
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**Fairbanks**  
William R. Kauffman  
Vice President and General Counsel  
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Jean S. Sagan  
Associate General Counsel

15 March 1993

The Honorable Tim Kelly  
Alaska State Legislature  
State Capitol Building  
Juneau, AK 99801-1182

FAX: 465-3756

RE: SB117. Your Inquiry Concerning the Appropriation for Salary Increases Under the University of Alaska/Alaska Community Colleges' Federation of Teachers, Local 2404 Collective Bargaining Agreement, 5/8/92

Dear Senator Kelly:

I am writing in response to your request through University of Alaska Budget Director Marsha Hubbard for information concerning the terms of the May 8, 1992, Collective Bargaining Agreement between the University of Alaska and the Alaska Community Colleges' Federation of Teachers, Local 2404. Although Ms. Hubbard's communication asked for a section-by-section analysis of the entire agreement, a member of my staff spoke with Mr. Max Gifford of your office who advised that you require only information dealing with the salary provisions and the need for a legislative appropriation.

In an attempt to effectively accommodate your needs, I am enclosing as Attachment A the provisions of Articles 7.1 and 12.5 of the Collective Bargaining Agreement and a synopsis of each provision. Additionally, I am enclosing a copy of the referenced Board of Regents Policies and University Regulations 04.05.01-03 as well as the referenced statute, A.S. 23.40.215, as Attachments B and C, respectively.

Senator Tim Kelly  
15 March 1993  
Page 2

I trust that this reply is responsive; however, should you have additional questions concerning the basis for the University's supplemental unit, please contact me. While I am out of state until Wednesday, March 17, 1993, I may be contacted through my Fairbanks office, (907) 474-7259.

Very truly yours,

*William R. Kauffman*  
William R. Kauffman  
Vice President and General Counsel

*by Amanda Andrade*

cc: President Jerome Komisar  
Vice President for University Relations Wendy Redman  
Director Marsha Hubbard  
Special Assistant to the President for Labor Relations Stevan DeSoer

Enclosures a/s

## ATTACHMENT A.1

## ARTICLE 7

University of Alaska/Alaska Community Colleges' Federation  
of Teachers, Local 2404 Collective Bargaining Agreement  
May 8, 1992

## Salaries and Benefits

## 7.1 Salaries

- A. Faculty Members shall be compensated in a manner consistent with the provisions of Regents Policy and University Regulation 04.05.01 - 03 in effect as of the date of this Agreement, except that any compensation increases shall be subject to legislative appropriation in accordance with the provisions of AS 23.40.215 and shall be requested separately from compensation increases requested for other employees of the University.
- B. The University agrees to request the same level of salary increase for Faculty Members as is requested of the Legislature for other University employees. If the University grants other University employees salary increases but does not receive an appropriation to fund salary increases for Faculty Members at the same level, the University agrees to submit to the Legislature at the beginning of the next regular session following the increase for University employees an amount necessary to permit Faculty Members to receive a salary increase of the same level received by University employees.

## SYNOPSIS

## 7.1 Salaries

- A. Salaries for "Faculty Members," a term meaning bargaining unit members, is set by Regents Policies and University Regulations 04.05.01-03 as in effect May 8, 1992. This means a minimum three percent annual salary increase; however, application of this provision is subject to receipt of an appropriation to fund the increase.
- B. The University agrees to seek the same level of salary increase for bargaining unit members as for other University employees. If no appropriation is made to fund the bargaining unit increase, and the University grants an increase to other employees, the University agrees to make a request to the next regular legislative session for a supplemental appropriation to fund a bargaining unit salary increase.

**ATTACHMENT A-2**

**ARTICLE 12**  
**University of Alaska/Alaska Community Colleges' Federation**  
**of Teachers, Local 2404 Collective Bargaining Agreement**  
**May 8, 1992**

**Scope and Interpretation**

**12.5 Legislative Appropriation**

- A. No legislative appropriation requested by the University, with regard to funding this Agreement, shall be made without prior discussion with the Union pursuant to Article 11. The University shall give adequate notice to the Union of such requests as to provide reasonable response time from the Union. The University shall request and actively support full funding of this Agreement.
- B. It is agreed by and between the parties that any provision of this Agreement requiring legislative action to permit its implementation, by amendment of law or by providing additional funds therefore, shall not become effective until the appropriate legislative body has given approval.

**SYNOPSIS**

**12.5 Legislative Appropriation**

- A. The University agrees to discuss with the union its budget request to fund the Agreement prior to the submission of the request to the Legislature.
- B. Provisions of the Collective Bargaining Agreement which require legislative action for implementation become effective only after approval by the appropriate legislative body.

## REGENTS' POLICY

04.05.00

PART IV  
PERSONNEL  
CHAPTER V

## Compensation and Benefits

A. Compensation Responsibilities: Statement of Intent 04.05.01

The University of Alaska recognizes its responsibility to students and to the citizens of Alaska to develop a compensation program which will enable the institution to attract and retain highly qualified employees.

The University also recognizes its responsibility to continue to work cooperatively with its employees through the University governance structures to ensure that the University's compensation program treats all employees fairly, assures annual salary progression and protection of real income, rewards exceptional performance, provides for external competitiveness, and recognizes continuing satisfactory service. Annual in-range salary increases shall be provided by the University.

The University shall have a compensation program providing for the adjustment of income based on the following non-prioritized goals:

- \* **Competitiveness:** assuring that the university can successfully compete for and retain qualified faculty and staff.
- \* **Equity:** assuring that the relationship between compensation and job classification is fair and just.
- \* **Protection of Real Income:** assuring that compensation structures will be adjusted for inflation.
- \* **Satisfactory Performance:** assuring that employees' compensation will be annually adjusted within the salary structure for continued satisfactory performance.

B. Compensation Structures

Individual compensation structures for the following employee categories shall be established in consultation with appropriate

## REGENTS' POLICY

04.05.01

governance groups at each university and within statewide administration. These salary structures shall be reviewed regularly and adjusted to reflect changes in market conditions and cost of living fluctuations.

1. Executive Positions

The salary structure for executive positions shall be established by the Board of Regents.

The chancellor of each university and the president shall designate those positions to be placed in the executive category.

2. Faculty Positions

The salary structure for faculty positions shall be a set of ranges corresponding to faculty ranks organized in a matrix for purposes of placement and movement. Ranges will be constructed to include a compensation increase of up to 10 percent to provide incentives for promotion.

In order to address competitiveness issues and other conditions which may from time to time prevail in the recruitment, selection and retention of faculty, placement on the salary scale shall be based on each university's market conditions and the applicable experience of the individual selected. Movement within each range will be accompanied by a minimum 3 percent annual salary increase. All recipients of annual in-range salary increments shall have at least a satisfactory performance evaluation.

There will be a regular market compensation analysis for all disciplines at each university and periodic adjustment of compensation for those disciplines found to be under market.

3. Part-time Faculty

The salary structure for part-time faculty shall be a set of ranges organized in a matrix for purposes of placement and movement. Movement within each range will be accompanied by a minimum 3 percent salary increase. Placement shall be reflective of the market condition for part-time faculty at each university.

## REGENTS' POLICY

04.05.01

## 4. Administrative Professional and Technical Positions

The salary structure for administrative/professional/technical positions shall be a set of ranges organized in a matrix for purposes of placement and movement. Movement within each range will be accompanied by a minimum 3 percent annual salary increase. All recipients of annual in-range salary increments shall have at least a satisfactory performance evaluation.

## 5. Classified Positions

The salary structure for classified positions shall be a set of ranges organized in a matrix for purposes of placement and movement. Movement within each range will be accompanied by a minimum 3 percent annual salary increase. All recipients of annual in-range salary increments shall have at least a satisfactory performance evaluation.

## 6. Student Employees

The salary structure for student positions shall be a set of ranges organized in a matrix for purposes of placement and movement.

C. Exceptional Performance

A bonus award program for recognition of exceptional performance may be established at each university and within the statewide administration in consultation with cognizant local governance groups. Such bonus awards will be available to faculty, administrative/professional/technical and classified employees. Exceptional performance bonuses shall not be applied to the salary base of the employee and shall not affect placement on the salary scale.

D. Special Adjustments

Subject to available funds, the chancellor of each university shall have the authority to make special adjustments up to 6 percent for specific employees to recognize internal equity, merit, and special market and hazardous working conditions. Adjustments exceeding 6 percent will require approval of the President.

## REGENTS' POLICY

04.05.01

E. Shift Differentials

Differentials shall be established for classified employees for shift work in 24-hour continuous operations.

F. Geographic Differential

Where appropriate, geographic location differentials may be established for APT, classified, and faculty positions to address significantly variable intrastate cost of living conditions.

G. Bargaining Unit Members

Provisions of this policy shall not be applicable to bargaining unit members.

Employment Definitions

04.05.02

- A. An individual's employment with the University of Alaska shall be designated by status and pay type. Status and pay type shall be established in University Regulations.
- B. Classification for the purpose of pay type and pay range shall be established by job evaluation, as appropriate to the type of position.
- C. Compensation shall be determined based upon established classification for the position, and pay type. (See Regulation 04.05.02)

Salary Structure and Schedules

04.05.03

The university salary structure shall recognize marketplace and job content differences and shall provide for annual increments based on continued satisfactory performance, cost of living adjustments, marketplace fluctuations and exceptional performance.

Salary schedules are established for all positions within the University. Each schedule is guided by placement and movement regulations. (See Regulation 04.05.03)

A. Executive Positions

The salary structure for executive positions shall be based on appropriate market referents established by the University President, and reviewed periodically by the Board of Regents.

07-01-89

07-01-90 (revised)

04.05.03

REGENTS' POLICY

04.05.03

B. Bargaining unit members

Salaries for members of collective bargaining units shall be determined through negotiation.

C. Exempt and Nonexempt Staff and Permanent (nonbargaining unit) Faculty

Criteria for placement and movement of exempt and non-exempt staff and permanent (nonbargaining unit) faculty shall be contained in regulation. (See Regulation 04.05.03)

D. Part-time Faculty

Criteria for placement and movement of part-time labor pool faculty shall be contained in regulation. (See regulation 04.05.03)

E. Student Employees

Criteria for placement and movement of student employees shall be contained in regulation. (See regulation 09.05.01)

Geographic Salary Differentials

04.05.04

Geographic salary differentials are intended to compensate employees for differences within Alaska for cost-of-living, relative isolation, lack of amenities, etc. The following table contains the new geographic differentials based on the 1986 State study. Compensation offers to employees made after June 6, 1987, will be paid at these rates. The new rates are to be paid to non-bargaining unit employees as follows:

NEW RATES

Aleutian Islands/Adak/Sand Point	27
Anchorage/Girdwood/Chugiak/Eagle River	-
Aniak/McGrath/Galena	30
Barrow/Kotzebue	42
Bethel	38
Bristol Bay/Dillingham	27
Cordova/Glenallen/Copper Center	11
Delta Junction/Tok	16
Fairbanks	4
Ft. Yukon	42
Juneau	-
Kenai/Soldotna/Homer	-

## UNIVERSITY REGULATION

04.05.00

## PART IV

## PERSONNEL

## CHAPTER V

## Compensation and Benefits

Compensation Responsibilities

04.05.01

- A. It is the responsibility of the Statewide Administration to propose compensation policy and to develop compensation regulations. Further, the Administration is responsible for analyzing the effectiveness of compensation programs and implementing changes as necessary. Prior to implementing new programs or modifying existing programs the Administration will seek the advice and counsel of the General Assembly.
- B. It is the responsibility of the major administrative units to implement such procedures as are necessary to administer compensation programs in accordance with university policy and regulations. (See Policy 04.05.01)

Employment Definitions

04.05.02

## A. Pay Status

Employment status shall be designated according to the following definitions:

1. Active employee: Status in which a person is actively employed by the university, either on a permanent or temporary basis. Employees who are between the end of one contract period and the beginning of the next contract period (e.g., nine month employees) shall be considered active for the purposes of employee benefit eligibility.
2. Leave Without Pay: Status in which an employee is on approved leave for a specified purpose and period of time, during which he/she receives no compensation, and accrues and receives no university paid benefits.
3. Sabbatical, Special Sabbatical or Professional Development/Improvement Leave: Status in which an employee is on an approved leave for a specified period of time for professional development during which the employee receives compensation in part or in total from the university.

## UNIVERSITY REGULATION

04.05.02

4. Retirement: A status of no active employment in a permanent position for persons who have formally retired from university service.
5. Termination: A status of no employment in which a prior employee has severed his or her relationship with the university without the expectation or probability of continued or future re-employment.

## B. Employee Classifications

1. Collective Bargaining Unit members shall have pay type and pay range as established by the collective bargaining agreement.
2. Academic personnel shall have pay type and pay range established by operative placement and promotion criteria (See Policy 04.03.09).
3. Student employees shall have pay type and pay range established by special conditions for student employment (Cross- reference Policy and Regulation 09.05.01).
4. Agricultural Workers shall have pay type and pay range established by job evaluation, with special conditions as prescribed by the Fair Labor Standards Act and the Alaska Wage and Hour Laws covering agricultural employees.
5. Executive personnel shall have pay type and pay range established by the president of the university (See Policy 01.01.03).
6. Administrative/Professional/Technical (exempt) personnel shall have pay type and pay range established by the president of the university.
7. Classified (nonexempt) personnel shall have pay type and pay range established by the president of the university.

## C. Employment Categories

1. Permanent Employee: In order to be considered a permanent employee, individuals must be in active, sabbatical or leave without pay status, and have a continuing appointment which meets the following criteria:
  - a. For all categories of employment: must work 50 percent or more of full time in a budgeted position.

ATTACHMENT B-8  
UNIVERSITY REGULATION

## UNIVERSITY REGULATION

04.05.02

contract, grant or general fund, which is expected to be continued from year to year.

- b. Academic employees (nonbargaining unit): must work 50 percent of full-time or more in a budgeted teaching, librarian, counselor, research, museum, etc., position.
2. Temporary Employee: Employees who do not work in budgeted positions, and who do not meet the criteria for permanent employment as outlined above, shall be considered temporary employees.

For exempt and nonexempt employees (nonacademic), work in a temporary position less than 1,040 hours in any one twelve month period in any one position.

3. Full-time Employee: Full-time employment may be of either a permanent or temporary nature (as described above) and must meet the following criteria:
  - a. Exempt (nonacademic) or nonexempt employees must have an appointment stipulating an anticipated work week of 40 or more hours on a continuing basis for the entire contract period.
  - b. Exempt employees (academic, nonbargaining unit), must work in a teaching, research, service, librarian, museum, etc. position delivering a combination of public service, research and/or instructional activity equivalent to 15 credit hours per week on a semester-to-semester basis. Research, librarian, counselor, museum, etc., employees must meet the criteria in 3.a. above, or a combination of assigned and public service duties equivalent to that amount.
4. Part-time Employee: Employees who do not meet the criteria for full-time as described above in 3.a. or b. shall be considered part-time employees. Part-time employment may be either of a permanent or temporary nature (as described above) expressed as a percentage of full-time.
  - a. To be permanent part-time employees, exempt (nonacademic) and nonexempt persons must work 20 or more hours per week on a regular basis during the employment contract period and work in budgeted positions.

## UNIVERSITY REGULATION

04.05.02

- b. To be permanent part-time employees, exempt employees (academic, nonbargaining unit) must be delivering no less than 7.5 credit hours per week in a combination of research, public service and/or instructional activity. (Research, service, librarian, museum, etc., employees must meet the criteria in 4.a. above to be considered permanent part-time employees.)
- c. All other part-time employment not covered by 4.a. or 4.b. shall be considered temporary employment.

## D. Overtime Payment Criteria

1. Exempt Employment Eligibility: Criteria for exempt employment are defined in the Fair Labor Standards Act, and in the Alaska Wage and Hour Laws.
  - a. Eligibility for exempt staff classification is described in Regulation 04.02.05.
  - b. Persons who belong to exempt categories shall be compensated by salary, rather than hourly rates of pay, and shall not be eligible for overtime pay.
  - c. Exempt employees are not required by federal or state law to submit time sheets for pay purposes; however, they may specifically be required to do so for funding or program requirements and must also always submit timesheets when using leave hours during the pay period in question.
  - d. Typical employees in the exempt group include: administrators, faculty members, academic administrators, librarians, researchers, executives and other professionals, certain technical tradespersons and certain students.
2. Nonexempt Employment: Criteria for nonexempt employment are defined in the Fair Labor Standards Act and the Alaska Wage and Hour Laws. Those definitions are incorporated, by reference, into this regulation.
  - a. Persons who belong to nonexempt categories shall be compensated on an hourly basis, rather than salary, and shall be eligible for overtime pay for hours worked in excess of forty (40) per work week, as approved by the employee's immediate supervisor in advance, unless otherwise excepted by the Fair Labor

## UNIVERSITY REGULATION

04.05.02

Standards Act and/or the Alaska Wage and Hour Laws.

- b. Nonexempt employees shall not be eligible for compensatory time-off in lieu of overtime pay. This regulation does not prohibit the arrangement of flexible working schedules for employees which do not exceed forty (40) hours in any work week, pursuant to the Alaska Wage and Hour Laws.
- c. Nonexempt employees are required to submit timesheets for all hours worked, without exception.
- d. Examples of nonexempt employees are as follows:
  - (1) Classified Employees: Certain skilled and unskilled craft and clerical support positions which do not meet the requirements for faculty, academic administrative, APT (Administrative, Professional, Technical) classifications, which may be either full-time or part-time, temporary, or permanent.
  - (2) Agricultural Workers: Workers whose primary occupation is agricultural, as defined by the Fair Labor Standards Act and the Alaska Wage and Hour Laws. Agricultural workers are exempted from overtime pay, as described in the Act.
  - (3) Students (general): Student employees who meet the criteria for eligibility for student employment and who fill student-designated positions.

Salary Structure and Schedules

04.05.03

Salary schedules are established for all positions within the university. Each schedule is guided by placement and movement regulations.

## A. Executive Positions

Placement and movement for Executive Positions are governed by Regents' Policy 04.05.03.

## B. Bargaining Unit Members.

Placement and movement for bargaining unit members shall be determined through negotiation.

## UNIVERSITY REGULATION

04.05.03

## C. Exempt and Nonexempt Staff and Permanent (nonbargaining unit) Faculty.

## 1. Placement

The rationale for placement of a new employee above the minimum of a salary range must be based upon market factors and/or those exceptional qualifications or experience of the employee which are clearly relevant to the position and advantageous to the university.

- a. Responsibility for placement of a new employee within the first quarter of the range rests with the hiring authority .
- b. Placement above the first quarter of the range must be approved by the appropriate chancellor, or in statewide administration, by the president.
- c. Responsibility for the placement of student employees anywhere in the range rests with the hiring authority.

## 2. Movement

## a. Salary Adjustments

Subject to available funds, the chancellor of a university may authorize special salary adjustments up to 6 percent of the current salary for specific employees to recognize internal pay equity, merit, special market considerations, and hazardous working conditions. Salary adjustments greater than 6 percent may be granted only with the prior approval of the president of the university. (07-01-90)

Each university shall develop procedures to assure that such special adjustments are appropriate and shall provide a report to the president of the university on July 1 of each year detailing the special adjustments for the preceding fiscal year.

## b. Transfer (noncompetitive reassignment)

- (1) A transfer is defined as a noncompetitive reassignment of an employee from one position to another within the same salary range with no break in service.

## UNIVERSITY REGULATION

04.05.03

- (2) An employee who transfers from one position to another in the same range will retain the same salary exclusive of the effect of any change in geographic differential.

## c. Appointment to an Acting Position

In the event an employee serves in a higher position than currently assigned as a result of a temporary appointment to an acting position, the following pay practice shall be followed:

- (1) For a position that has a specified range established, the incumbent will be advanced to the permanent minimum for the position, or 10 percent, whichever is greater.
- (2) The pay increase becomes effective on the thirty-first calendar day following the change in duties and remains in effect until the end of the acting assignment.

The term "temporary" in this instance is defined as any period longer than thirty calendar days.

## d. Promotion

- (1) A promotion for exempt nonfaculty and nonexempt staff is defined as the movement from a position in one range to a position in a higher range, or movement from a nonexempt to an exempt position with no break in service.
- (2) A promotion for exempt nonfaculty and nonexempt staff may result in a salary increase up to 10 percent of the current salary, or, if greater, that amount necessary to place the employee at the minimum of the new range.
- (3) A promotion for faculty is defined as movement from one faculty rank to the next higher rank.
- (4) A promotion for a member of the faculty may result in a salary increase up to 10 percent of the current salary, or, if greater, that amount necessary to place the employee at the minimum of the new range.

3.40.200

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§ 23.40.205 LABOR AND WORKERS' COMPENSATION § 23.40.215

wise. State v. Public Safety Employees Ass'n, 798 P.2d 1281 (Alaska 1990).

Standard of review. — Appellate courts should apply the arbitrary and capricious standard when reviewing awards

in compulsory interest arbitrations; in voluntary interest arbitrations, the standard of review is gross error. State v. Public Safety Employees Ass'n, 798 P.2d 1281 (Alaska 1990).

**Sec. 23.40.205. Family leave.** Notwithstanding any provision of AS 23.40.070 — 23.40.260 to the contrary, an agreement between the employer subject to AS 23.10.500 — 23.10.550 and an employee bargaining organization that does not contain benefit provisions at least as beneficial to the employee as those provided by AS 23.10.500 — 23.10.550 shall be considered to contain the benefit provisions of those statutes. (§ 7 ch 96 SLA 1992)

Revisor's notes. — Enacted as AS 23.40.200(g). Renumbered in 1992:

Cross references. — For transitional provisions related to the effect of this section on bargaining agreements in effect on

September 18, 1992, see § 11, ch. 96, SLA 1992 in the Temporary and Special Acts.

Effective dates. — Section 7, ch. 96, SLA 1992, which enacted this section, took effect on September 18, 1992.

**Sec. 23.40.210. Agreement.**

NOTES TO DECISIONS

Agency assumption of jurisdiction over pending grievance procedures. — The agency may exercise jurisdiction over unfair labor practice claims which are the subject of pending grievance procedures not yet exhausted where it appears that pursuing the grievance procedures would

be futile. Public Safety Employees Ass'n v. State, 799 P.2d 315 (Alaska 1990).

Availability of statutory remedies. — The availability of arbitration does not preclude statutory remedies. Public Safety Employees Ass'n v. State, 799 P.2d 315 (Alaska 1990).

**Sec. 23.40.215. Funding and legislative approval.** (a) The monetary terms of any agreement entered into under AS 23.40.070 — 23.40.260 are subject to funding through legislative appropriation.

(b) The Department of Administration shall submit the monetary terms of an agreement to the legislature within 10 legislative days after the agreement of the parties, if the legislature is in session, or within 10 legislative days after the convening of the next regular session. The legislature shall advise the parties by concurrent resolution if it approves or disapproves of the monetary terms within 60 legislative days after the agreement is submitted to the legislature. The approval of the monetary terms of an agreement under this subsection is a nonbinding, advisory expression of legislative intent. If within 60 legislative days after the agreement is submitted the legislature advises the parties by concurrent resolution that it disapproves the monetary terms of the agreement, the parties may resume negotiations.

(c) Notwithstanding (b) of this section, the monetary terms of an agreement entered into between a school district or regional educa-

§ 23.40.250 ALASKA STATUTES SUPPLEMENT § 23.40.250

tional attendance area and its employees are not subject to approval by the legislature. (§ 2 ch 113 SLA 1972; am § 1 ch 10 SLA 1984; am § 5 ch 1 SLA 1992)

Effect of amendments. — The 1992 amendment, effective March 26, 1992, added subsection (c).

Sec. 23.40.250. Definitions. In AS 23.40.070 — 23.40.260, unless the context otherwise requires,

(1) "collective bargaining" means the performance of the mutual obligation of the public employer or the employer's designated representatives and the representative of the employees to meet at reasonable times, including meetings in advance of the budget making process, and negotiate in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or negotiation of a question arising under an agreement and the execution of a written contract incorporating an agreement reached if requested by either party, but these obligations do not compel either party to agree to a proposal or require the making of a concession;

(2) "election" means a proceeding conducted by the labor relations agency in which the employees in a collective bargaining unit cast a secret ballot for collective bargaining representatives, or for any other purpose specified in AS 23.40.070 — 23.40.260;

(3) "labor relations agency" means the Alaska labor relations agency established in AS 23.05.360;

(4) "monetary terms of an agreement" means the changes in the terms and conditions of employment resulting from an agreement that will require an appropriation for their implementation or will result in a change in state revenues or productive work hours for state employees;

(5) "organization" means a labor or employee organization of any kind in which employees participate and which exists for the primary purpose of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, and conditions of employment;

(6) "public employee" means any employee of a public employer, whether or not in the classified service of the public employer, except elected or appointed officials or superintendents of schools;

(7) "public employer" means the state or a political subdivision of the state, including without limitation, a municipality, district, school district, regional educational attendance area, board of regents, public and quasi-public corporation, housing authority, or other authority established by law, and a person designated by the public employer to act in its interest in dealing with public employees;

## 1992/94 LTC Contract

Negotiations began in December 1991, and were limited to six contract articles selected by the parties. With the assistance of a federal mediator, an agreement was reached on a three year agreement.

Issue	Change
Contracting Out	The rules which limit the State's ability to contract out work performed by union members have been clarified.
Licenses	When a new license requirement is imposed on current employees, the State will reimburse the employee for the license fee when the license is obtained prior to the deadline established by law or regulation. Future renewals are the responsibility of the employee.
Wages	A 3.6% increase effective July 1, 1992. This is the same increase received by other unions effective January 1, 1992. The contract provides no further wage increases in 1993 or 1994.
Classification	The new agreement excludes classification disputes from the grievance procedure. Under the prior agreement, an arbitrator had the right to determine the pay rate for disputed classifications.
Call Back	The minimum pay guarantees were eliminated when overtime is scheduled in advance.
Travel	Travel pay entitlements were changed to comply with the Fair Labor Standards Act. These changes should result in reduced expenses for travel pay.
Holidays	The Lincoln's Birthday holiday will be eliminated in 1994.
Family Leave	The provisions of the Alaska Family Leave Act were incorporated into the contract.
Promotion	The strict seniority preference was eliminated. Supervisors will now have a greater choice when making a promotion.
Health Insurance	In consideration of the deferral of the pay increase for six months and elimination of a holiday, the monthly contribution to health insurance will be increased to \$500. effective July 1, 1993. Any future increases will be equally shared between the employer and the State up to a maximum of \$25 each. Further increases are the responsibility of the employee.
Signing Bonus	Each employee in pay status on February 1, 1993, will receive a signing bonus of \$50.

**Senate Bill 117 / House Bill 158**

**Appropriations to meet the Monetary Terms of the  
Labor, Trades and Crafts Unit Contract Settlement**

**Section 1.** Appropriates funds to pay a 3.6% cost-of-living-allowance to bargaining unit members for FY 93 (members of other bargaining units received a similar increase in FY 93). Of the \$2,909,370 appropriated:

General Funds	\$1,854,461
Other Funds	\$1,054,909

**Section 2.** Appropriates funds to continue the same 3.6% cost-of-living allowance in FY 94. Also includes funding to cover the increased cost of health benefits which will go from the currently budgeted level of \$386.00 per employee per month to \$500.00. Of the \$4,921,271 appropriated in this section:

\$2,911,483 is for the COLA:

General Funds	\$1,836,998
Other Funds	\$1,074,485

\$2,009,788 is for increased health benefit costs:

General Funds	\$1,254,271
Other Funds	\$755,517

**Section 3.** Appropriates \$70,350 to pay a \$50.00 contract signing bonus to members that were employed on February 1, 1993.

**Section 4.** Appropriates \$74,200 to reimburse employees for the \$100.00 cost an employee incurred in obtaining a commercial driver's license as a condition of continued employment.

**Section 5.** Provides a June 30, 1993 lapse date for any unexpended and unobligated balance of an appropriation made in the sections 1, 3 and 4.

**Section 6.** Provides a June 30, 1994 lapse date for any unexpended and unobligated balance of the appropriation made in section 2.

**Section 7.** Provides an immediate effective date for the legislation.

LTC Contract Costs - COLA and Health Benefits									
Department	FY 93			FY 94			FY 94		
	COLA Costs			COLA Costs			Health Benefits		
	GF	OF	Total	GF	OF	Total	GF	OF	Total
Administration	331.7	1.4	333.2	329.9	1.6	331.6	279.7	1.4	281.0
Education	32.1	.0	32.1	31.5	0.0	31.5	26.4	0.0	26.4
Health & Soc Services	140.2	.0	140.2	135.5	0.0	135.5	109.5	0.0	109.5
Labor	39.2	15.8	55.1	37.9	16.8	54.7	23.1	10.2	33.3
Military & Veterans Affairs	20.3	56.6	77.0	21.3	60.6	81.9	15.3	44.2	59.5
Natural Resources	38.9	.5	39.4	35.4	0.8	36.2	26.6	0.9	27.5
Fish and Game	25.0	10.8	35.8	10.0	9.4	19.4	6.2	6.6	12.8
Public Safety	25.9	.0	25.9	26.2	0.0	26.2	19.9	0.0	19.9
Environmental Conservation	3.5	.5	4.0	4.6	0.0	4.6	2.6	0.0	2.6
Corrections	143.2	.0	143.2	150.5	0.0	150.5	110.0	0.0	110.0
DOT/PF	1,054.3	969.1	2,023.5	1,054.1	985.3	2,039.3	635.0	692.3	1,327.2
<b>Total</b>	<b>1,854.5</b>	<b>1,054.9</b>	<b>2,909.4</b>	<b>1,837.0</b>	<b>1,074.5</b>	<b>2,911.5</b>	<b>1,254.3</b>	<b>755.5</b>	<b>2,009.8</b>
NOTES:									
Each department amount is reduced by the FY 93 budgeted vacancy factor for that component									
FY 94 calculations are based on FY 94 Governor's budget as introduced in January									

*University of Alaska  
Statewide System*

Summary of Collective Bargaining Agreement  
between  
the University of Alaska and  
the Alaska Community Colleges' Federation of Teachers Local 2404, AFT

Effective dates: May 8, 1992 to June 30, 1994

Employees covered: Faculty who teach exclusively lower division courses  
and have no research assignment  
Vocational-technical faculty  
All Faculty, librarians and counselors at extended campuses

**Key provisions of transition agreement:**

Union members have same appointment, review, promotion, tenure and sabbatical leave policy as other university employees.

Union members have same benefits as other university employees; benefits program can be changed by the university as long as the benefits are offered on the same basis for both bargaining unit members and uncovered employees.

If the University gives non-covered employees salary increases, the university will request the legislature to appropriate an amount necessary to give Union faculty members a salary increase of the same level received by University employees.

Prince William Sound Community College faculty will receive retroactive salary adjustments in the same percentage as other University employees received for fiscal years 1990, 1991 and 1992.

All outstanding disputes concerning the representational status of the Union were resolved by the agreement. The Union agreed to withdraw all lawsuits, unfair labor practice charges, and grievances related to the Union's representational status.

The University paid union dues, agency fees, costs and penalties to the Union from a 1992 legislative appropriation.

The supplemental appropriation contained in this legislation provides fairness and equity to the University faculty who are members of a collective bargaining unit. These employees are the teaching faculty of the University who deliver the community college mission to Alaskans, including lower division and vocational education courses.

**SB**

**122**

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Bill No. SB 122

Revision Date: \_\_\_\_\_ Department Affected: Alaska Court System  
 Title: An Act relating to the disclosure of BRU: Trial Courts  
Information by an employer Components: \_\_\_\_\_  
 Sponsor: Sharp  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 768

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS						
1003 GF MATCH						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/PROGRAM RECEIPTS						
1006 GF/MHTIA						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 93) impact: None

ANALYSIS: (Attach a separate page if necessary)  
 No fiscal impact.

Prepared by: C. S. Christensen III, Staff Counsel *CS* Phone: 264-8228  
 Division: Alaska Court System Date: 03/01/93

Approved by: Arthur H. Snowden, II, Administrative Director *AS* *CS* Date: 03/01/93  
 Agency: Alaska Court System

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

FISCAL NOTES

## FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB 122

Revision Date: \_\_\_\_\_ Dept. Affected: Administration  
 Title: "An Act relating to the disclosure of information by an employer . . . ." BRU: Personnel/OEEO  
 Component: Personnel/OEEO  
 Sponsor: Senator Sharp  
 Requestor: (S) L&C COMPONENT SERIAL NO. 56

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 (FY93) impact: \$ none

ANALYSIS: (attach a separate page if necessary.)

Prepared By: Kevin Ritchie, Director Phone: \_\_\_\_\_  
 Division: Personnel/OEEO Date: \_\_\_\_\_

Approved by Commissioner: Nancy Bear Usura Date: 2/24/93  
 Agency: Department of Administration

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FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB 122

Revision Date: February 23, 1993  
 Title: "...disclosure of information by an employer about the job performance..."  
 Sponsor: Senator Sharp  
 Requestor: Senator Sharp

Department Affected: Department of Law  
 BRU: Legal Services  
 Component: Operations  
 COMPONENT SERIAL NO. 0093

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

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

Estimate of current year (FY93) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Please see the attached analysis.

Prepared by: Richard I. Peques, Director  
 Division: Administrative Services Division  
*Richard I. Peques (FOR)*

Phone: 465-3672  
 Date: February 23, 1993

Approved by Commissioner: Charles E. Cole, Attorney General  
 Agency: Department of Law

Date: February 23, 1993

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FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB 122

ANALYSIS (Continued):

This bill protects an employer, who acts in good faith, from liability for disclosing the job performance of an employee or former employee to a prospective employer. This protection would not shield an employer who provided information the employer knew was false or misleading, was given with a malicious purpose, or violated a civil right of the employee or former employee that is protected by Alaska's antidiscrimination laws under AS 18.80, or federal law. This bill will apply to all employers in the state and will not have a fiscal impact on the Department of Law.

**SENATE COMMITTEE REPORT**  
**FIRST COMMITTEE OF REFERRAL**

DATE: 2/19/93

FURTHER: JUDICIARY

Date of 5-Day Notice: 2/25/93  
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3/4/93

L&C Committee considered SB 122

"An Act relating to the disclosure of information by an employer about the job performance of an employee or former employee."

and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ ( )
- attaches amendment(s)
- same title
- new title
- technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

~~X~~ Individual recommendations

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
COURT SYSTEM	3/1/93	✓	
DOA	2/24/93	✓	

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

**DO PASS:**

Inge Leance  
John King

**OTHER RECOMMENDATIONS:**

Georgeanna Smith - Amended

Tim Kelly - Do Pass

Chair: Signature and Recommendation

# Alaska State Legislature

SENATOR  
BERT SHARP

DISTRICT P

CHAIRMAN  
TRANSPORTATION COMMITTEE

MEMBER  
FINANCE COMMITTEE  
LEGISLATIVE BUDGET & AUDIT COMMITTEE  
HEALTH & SOCIAL SERVICES



Senate

## FAIRBANKS

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## SESSION ADDRESS

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JUNEAU, ALASKA 99801-1182  
(907) 465-3004/4921

## M E M O R A N D U M

TO: SENATOR TIM KELLY, CHAIRMAN  
SENATE LABOR & COMMERCE COMMITTEE

FROM: SENATOR BERT SHARP *Bert Sharp*

RE: REQUEST FOR HEARING

DATE: FEBRUARY 22, 1993

I am requesting Senate Bill #122, "An Act relating to the disclosure of information by an employer about the job performance of an employee or former employee," be heard before the Senate Labor & Commerce Committee.

Thank you for your consideration.



REPRESENTING  
GOLDEN HEART  
OF ALASKA

Capital  
101

STATE OF ALASKA  
ROUTE SLIP

TO: Mail Station	Department	Division
<i>Senate Labor Revenue</i>		
Attention		
<i>MAX</i>		

- |  |   |
|--|---|
| <input type="checkbox"/> Approval      | <input type="checkbox"/> Note & Return        |
| <input type="checkbox"/> Signature     | <input type="checkbox"/> Initial & Return     |
| <input type="checkbox"/> Comment       | <input type="checkbox"/> Return as Requested  |
| <input type="checkbox"/> Contact Me    | <input type="checkbox"/> Return for Approval  |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action     |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> For Your Information |

Remarks:

FROM: Mail Station	Department	Division
	<i>DOA</i>	
By	Date	
<i>E. J. [Signature]</i>	<i>2/24</i>	

# FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. SB 122

Revision Date: \_\_\_\_\_ Dept. Affected: Administration  
 Title: "An Act relating to the disclosure of information by an employer . . ." BRU: Personnel/OEEO  
 Component: Personnel/OEEO  
 Sponsor: Senator Sharp  
 Requestor: (S) L&C COMPONENT SERIAL NO. 56

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>CAPITAL</b>	0	0	0	0	0	0
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<b>REVENUE FUND SOURCE:</b>	0	0	0	0	0	0
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**FUNDING:**

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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 (FY93) impact: \$ none

ANALYSIS: (attach a separate page if necessary.)

Prepared By: Kevin Ritchie, Director Phone: \_\_\_\_\_  
 Division: Personnel/OEEO Date: \_\_\_\_\_

Approved by Commissioner: Nancy Bear Usura Date: 2/24/93  
 Agency: Department of Administration

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ASCC Position Paper

SB 122  
March 4, 1993

The Alaska State Chamber of Commerce supports SB 122 - An act of relating to the disclosure of information by an employer about the job performance of an employee or former employee. This legislation adds new language to AS 09.65, relating to the disclosure of information by an employer about the job performance of an employee or former employee.

Under SB 122, an employer who provides job performance information to a prospective employer, will be presumed to be acting in good faith and, unless evidence shows a significant lack of good faith, the employer cannot be held liable for the disclosure or the consequences of the disclosure of information regarding an employee or former employee.

ASCC supports SB 122 because of the protection it provides employers. In Alaska there is a relatively small applicant base and it is imperative that employers are able to act in good faith sharing information with one another. Although statistics vary on the number of defamation cases that have been tried and won, or settled out of court, the fact remains that sharing objective information currently comes with a risk many employers cannot afford to take.

While ASCC fully recognizes the value of good employees, it is important that employers be able to share all pertinent information without fear of repercussion, providing they are acting in good faith. Therefore, ASCC strongly supports SB 122 and urges the Alaska House of Representatives to pass this legislation in an expeditious fashion.

STATE CHAMBER  
POSITION PAPER

SB122

"An act relating to the disclosure of information by an employer about the job performance of an employee or former employee."

SECTIONAL ANALYSIS

Section 1 amends AS 09.65 by adding a new section, AS 09.65.160, which provides that an employer who discloses information regarding a former employee's job performance at the request of a prospective employer or the former employee shall be immune from civil liability for such disclosures and their consequences.

The employer will not be protected from liability if it can be shown by a preponderance of the evidence that the information disclosed was knowingly false, deliberately misleading, given with a malicious purpose, or violated a civil right of the employee.

ANALYSIS

# Alaska State Legislature

SENATOR  
BERT SHARP

DISTRICT P

CHAIRMAN  
TRANSPORTATION COMMITTEE

MEMBER  
FINANCE COMMITTEE  
LEGISLATIVE BUDGET & AUDIT COMMITTEE  
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JUNEAU, ALASKA 99801-1182  
(907) 465-3004/4921

## S P O N S O R S T A T E M E N T

SB122 - "An act relating to the disclosure of information by an employer about the job performance of an employee or former employee."

SB122 protects employers from liability for the disclosure of job performance information regarding a former employee to a prospective employer.

The number of defamation suits filed in response to unfavorable references by former employers has increased substantially in the last few years. Out of fear of such lawsuits and on the recommendation of legal professionals, many employers are refusing to give honest, meaningful job performance information to prospective employers. This is a loss for all concerned. The free flow of information in the workplace is vitally important to sound decision making. Employers, employees, and, in the end, consumers benefit when hiring, firing and promotion decisions are based on complete and accurate information. SB122 will free up the exchange of information in the workplace by assuring reasonable protection to employers in their job performance disclosures.

SB122 is intended to protect only employers who give honest, well-intentioned references. It does not protect employers from liability in cases where the information disclosed was knowingly or deliberately false, was given with a malicious purpose or violated a civil right of the employee.

In the interest of allowing the freer exchange of information in the workplace, I urge you to support SB122.



REPRESENTING  
GOLDEN HEART  
OF ALASKA

S B

124.

125

March 7, 1993

## SECTIONAL ANALYSIS OF SENATE BILL 124

Section 1. This section amends the procurement code to exempt contracts with utilities for construction of transmission facilities where the utilities agree to pay all the costs of construction and maintenance. The goal of the procurement code in reducing state construction costs is met since the utilities will provide for repayment of the costs of construction and maintenance.

Section 2. This section adds the funds of the AEA to the group of funds classified as program receipts. Fees, return on equity, facility charges and other income recovered by the authority and deposited in the new revolving fund would not be classified as "general fund program receipts" but would be treated the same as revenues generated by AHFC, AIDEA, ARR, and the Municipal Bond Bank. Such funds would remain subject to reappropriation by the legislature to the extent they were not required for bond issues.

Section 3. This section clarifies the status of the Authority's executive director and all AEA staff by codifying the longstanding practice of regarding the executive director and his or her staff as being in the exempt service. The members of the board of directors of the authority are already in the exempt service by virtue of AS 39.25.110(10).

Section 4. This is a technical amendment to AS 44.25.020 to delete a provision of the existing law that would be in conflict with powers granted in Section 10.

Sections 5-6. These sections are technical amendments to change the term power project to energy project to more accurately reflect the broader range of projects that may be financed or owned by the Alaska Energy Authority. Additional sections in this bill make this change in terminology uniform throughout AS 44.83.

March 7, 1993

Section 7. This section adds new provisions at AS 44.83.080(14) to allow contracting for the administration of loan programs and by adding a new section (17) to allow the authority to charge fees or other forms of compensation in order to obtain a return on equity investments it may make in power projects or to recover the costs of services provided in financing activities. Under the present statutes the authority is only allowed to charge to recover debt service or operation and maintenance expenses. The provisions of this section are modeled after a similar section in the enabling statute of AIDEA. The new Section 17 would be helpful in amortizing equity investments and recovering costs associated with conduit or lease type financing.

Section 8. This section is requested by bond counsel to assist with the marketability of bonds for waste heat projects by making it clear that the authority is authorized to sell waste heat to the end user. Typically there are less than half-a-dozen users of waste heat from a given project, and the heat is not purchased for resale. Existing statutes specify that electricity must be wholesaled to retailing utilities, but they are silent on waste heat. The authority has, in fact, sold waste heat to the final users for many years without objection or controversy. The proposed clarification would assist in the issuance of revenue bonds or securing loans for additional projects.

Section 9. This section is a technical amendment to change the reference from power project to energy project.

Section 10. This section adds new provisions to AS 44.83 (enabling act for the AEA) that:

(1) creates a central revolving fund in the AEA and provides the authority the ability to transfer amounts between accounts in the revolving fund. The provisions of

this section are modeled after a similar section in the enabling statute of AIDEA. This ability is useful for accumulating assets in a single account to enhance the credit of a bond offering;

(2) establishes fiduciary guidelines identical to those provided to the Commissioner of Revenue regarding investment of amounts in the fund;

(3) make it clear that:

(a) the authority may pledge amounts in the fund in order to secure its bonds;

(b) the authority may make loans for specified purposes; and

(c) that the legislature may appropriate amounts from the fund to the authority for its administration; and

(4) sets an annual limit of ten percent of the fund balance for use as new equity investment by the authority unless specifically authorized by the legislature under AS 44.83.185 (legislative authorization of projects) or unless the legislature has appropriated amounts to the revolving fund for a specific purpose.

Section 11. This section provides that federal and state facilities, public schools and community colleges are no longer eligible for power cost equalization (PCE). In the past the PCE program was in effect partially subsidizing the power consumption of federal government offices and facilities. The savings, projected from this change is estimated to be approximately \$1,500,000 per year.

Section 12. Section (d)(1) of this section increases the minimum floor for PCE from 8.5 cents to 9.5 cents per kilowatt-hour which more accurately reflects the present mean cost of power in Anchorage, Fairbanks, and Juneau. Raising the floor one cent is projected to save \$1,000,000 per year, while resulting in an average increase of only approximately \$50 per year for residential customers.

March 7, 1993

Section (d)(2) is amended to eliminate confusing language and to establish a clear procedure by which the PCE floor is adjusted each fiscal year based on inflation.

Section 13. This section makes a technical change to implement the change in eligibility for PCE set forth in section 11.

Section 14. This section expands the sources of funds that can be placed in the energy project loan account and made available for loans. Previously only amounts from the general fund could be placed in this loan fund. This change would allow bond proceeds, principal repayments, interest income, and earnings from other authority activities to be made available for loans. In order to avoid confusion with other funds and accounts, the name of power project fund has been changed to the energy project loan account.

Section 15. This section amends current law to expand the list of eligible activities and eligible borrowers to which the authority may loan amounts from the energy project loan account (previously called the power project fund). Last year gas utilities were added by the Senate Labor and Commerce committee in CSSB5 as eligible borrowers as the result of legislative interest in providing a source of capital for natural gas line extensions to areas presently unserved by natural gas (SB 293). Significant changes include providing authority to loan for bulk fuel purchases, including in-place proven reserves of coal, gas, or geothermal fluids and to loan for demand side energy conservation measures. Eligible borrowers are expanded to include regional housing authorities and business enterprises. By adding "business enterprise" to the list of eligible borrowers, the authority may loan to such entities that may have cogeneration or independent power facilities capable of providing least cost energy to a community or utility. This section also requires the authority to have the approval of the local certified utility if the loan application is for a power generation facility.

March 7, 1993

Sections 16-17. These sections make technical changes to reflect the name change of the power project fund to the energy project loan account.

Section 18. This section makes amendments in order to allow the authority to issue no interest loans to utilities for the construction of interties such as the interties from Healy to Fairbanks and Anchorage to the Kenai Peninsula.

Section 19. This section makes a technical change to reflect the name change of the power project fund to the energy project loan account.

Section 20. This section makes amendments in order to simplify the language that guides the authority in preparing a reconnaissance study.

Section 21. This section makes amendments to clarify the alternatives and project areas that will be considered when conducting a reconnaissance study.

Section 22. This section removes language regarding consultation with the Office of Management and Budget in adopting regulations. The director of the Office of Management and Budget by law sits as a member of the Authority's board of directors.

Section 23. This section amends AS 44.83.179 to require the energy authority board of directors to take specific actions to approve or disapprove reconnaissance level studies. Currently the OMB is required to conduct this step even though the director of OMB is seated on the authority board by statute and may already vote to approve or disapprove reconnaissance studies. More substantial information on a project is available at the feasibility stage and OMB remains in the review process at that stage.

March 7, 1993

Section 24. AS 44.83.181(a) is amended to be consistent with the new language in AS 44.83.179.

Section 25. This section inserts new language requiring a feasibility study to compare the range of economic benefits and costs that may affect project feasibility and deletes specific language that is not always relevant in determining the economic feasibility of a project. The section deletes "the availability of alternative government financing" which is relevant to the following subsection which addresses the plan of finance. The section deletes a requirement that feasibility level work must be done to the level to meet a Federal Energy Regulatory Commission (FERC) license application since these standards may require an excessive level of expenditure if a project is not feasible and are not relevant to non-hydro projects that do not require FERC licenses.

Section 26. New language is substituted to require the plan of finance to describe all sources of money that may be used for a project, its total construction costs, its operational costs and how these costs are expected to be paid. This new wording is adapted from AIDEA's statutes regarding plans of finance. Additional specific options are deleted since they would be included in the plan of finance if relevant.

Section 27. The amendment in this section specifies that the authority must analyze a range of financing alternatives for a project and clarifies a requirement to identify the present value of any financial assistance from the state.

Section 28. This section removes language regarding consultation with the Office of Management and Budget in adopting regulations. The director of the Office of Management and Budget by law sits as a member of the of the Authority's board of

March 7, 1993

directors.

Section 29. This section clarifies that the scope of review by the Office of Management and Budget shall focus on compliance with procedures used to determine economic and financial feasibility under AS 44.83.181(b)-(d).

Section 30. This section adds additional language to 44.85.185(c) regarding legislative approvals to specify that, if the actual construction costs exceed the amount authorized by the legislature, then the authorization will remain effective provided that no additional costs are payable by the state. Other project participants would have to bear these costs rather than the state.

Section 31. This is a technical amendment which deletes reference to a defunct loan fund and changes reference from a power project to energy project. It also requires compliance with AS 44.83.177-185 and AS 44.83.189 if the project requires a pledge of credit other than that available under this chapter.

Section 32. This section was included as a drafting error. There is no amendment to this section.

Section 33. This section changes the threshold cost of a transmission line at which the full statutory steps of reconnaissance and feasibility and OMB and legislative authorization would be required from \$3,000,000 to \$10,000,000. At today's costs \$3,000,000 would equate to only about six miles of high voltage transmission line. It adds a section that exempts a transmission or distribution project from the requirements of AS 44.83.177-185 if no state funds are required.

March 7, 1993

Section 34. This section amends the threshold cost at which an addition or modification to an existing project is subject to authorization from \$1,000,000 to \$10,000,000 to be consistent with the transmission line threshold level established in 44.83.187(d) and to recognize the change in costs since the original statute was adopted.

Section 35. This is a technical amendment to change a reference from power projects to energy projects and to change a reference from the power development fund to the energy development account.

Section 36. This is a technical amendment to change a reference from power project to energy project.

Section 37. This section changes the name of the "Power Development Fund" to the "Energy Development Account" to reflect that the fund is an account of the revolving fund and to reflect the expanded purpose of the account as noted in section 28.

Section 38. Expands the purpose for which the power development revolving loan fund (to be renamed the energy development loan account) may be used by deleting reference to certain statutes describing limited activities.

Section 39. This is a technical amendment to reflect the name change of the fund to an account and to change the reference from power projects to energy projects.

Sections 40-47. These sections make technical changes to change numerous references from power projects to energy projects.

Section 48. This section adds a definition to define "account" as the energy development

account.

Sections 49-52. These sections change the name of the power development revolving loan fund to the energy development loan account to reflect the status of the fund as an account of the energy authority revolving fund.

Section 53. This section is a technical amendment to provide a definition of the terms "account" and "energy project" as referenced under AS 44.83.380-425.

Section 54. Adds language to require the AEA annual report to include a detailed accounting of loans or investments made from the energy authority revolving fund.

Section 55. This section makes only the operating budget of AEA subject to the Executive Budget Act on an annual basis. Capital projects that require an equity investment greater than ten percent of the amount in the new revolving fund would still require legislative approval (provided by language in Section 4).

Section 56. Makes a technical change to reflect the change in reference from power projects to energy projects.

Section 57. Adds a definition of "business enterprise" which would be a new eligible borrower from the power project fund (to be renamed the energy project loan account) and a definition for energy projects which is the same definition as for power projects with the exception that energy project specifically includes fuel supplies as part of a project or facility.

Section 58. The following statutes would be repealed:

March 7, 1993

(1) AS 44.83.170(g) - a provision which requires loan repayments and interest earned by loans from the power project fund to be deposited in the state general fund. This provision is inconsistent with section 1 of this bill and the plan for restructuring.

(2) AS 44.3.170(h) - a provision that now allows the legislature to forgive loans from the power project fund. This provision, as it currently exists, would make it difficult to establish a loan program funded with bond proceeds or authority revenues.

(3) AS 44.83.177(d) - this provision directed the authority to consult with the Department of Community and Regional Affairs on reconnaissance studies. This section was more meaningful when the Department of Community and Regional Affairs managed the residential energy conservation program. That program has since been transferred to the Alaska Housing Finance Corporation. In practice the authority consults with all appropriate state, federal, and local agencies when completing a reconnaissance study.

(4) AS 44.83.189 - as drafted this section is included in error and should be deleted.

(5) AS 44.83.361 and 363 - repeal of the rural Electrification Revolving Loan Fund whose function would be replaced with the expanded purposes of the power project account.

(6) AS 44.83.386 - sets guidelines for Department of Revenue investments of monies in the power development fund and requires investment income to be deposited in the general fund. This would be replaced with new investment authority for the energy authority revolving fund in Section 6 which would be authorized to retain investment income.

(7) AS 44.83.388(b) - requires earnings in investment of funds to be deposited in the general fund. Repeal is required in order to be consistent with the

establishment of the new revolving fund.

(8) AS 44.83.390 - allows the legislature to reappropriate amounts in the power project fund for another project in the same market area. Repeal is required in order to be consistent with the establishment of the new revolving fund.

(9) AS 44.83.392 - requires the lapse of excess appropriations if a project is not constructed. Repeal is required in order to be consistent with the establishment of the new revolving fund.

(10) AS 44.83.398(c) - requires the AEA to send receipts earned from the Four-Dam Pool facilities (other than pledged amounts) to the general fund. Repeal is required in order to be consistent with the establishment of the new revolving fund.

(11) AS 44.83.425(3) - provided a definition for term "fund" which has been replaced with the term "account"

(12) AS 44.83.600-650 - repeal of the bulk fuel loan fund and program which is no longer required as this type of loan in the future will be made from the energy project loan account AS 44.83.170 within the energy authority revolving fund AS 44.83.107.

(13) AS 44.83.920 - prohibits AEA from offering insurance on a construction project.

(14) AS 44.83.990(9) - defines "small scale power production facility" which is amended in Section 11 to "power projects".

Section 59. This is a temporary law which authorizes the construction of the Anchorage - Kenai transmission line.

Section 60. This is a temporary law which authorizes the construction of the Healy - Fairbanks transmission line.

March 7, 1993

Section 61. This section sets conditions for the construction of the Anchorage - Kenai and Healy - Fairbanks lines requiring the utilities to pay for the design and construction costs of the lines and for the operation and maintenance costs of the lines. It is anticipated that the utilities will be offered a combination of a zero interest loan and conventional revenue bonds and graduated repayment schedules pursuant to agreements to be reached with the utilities.

## SECTIONAL ANALYSIS FOR SB125

Section 1. This section would appropriate the principal plus interest earned on the \$100,000,000 set aside in the Railbelt Intertie reserve. This amount is expected to be \$118,900,000 on June 30, 1993.

Section 2. This section appropriates the unencumbered balance of the old Railbelt Energy Fund (AS 37.05.520) which is expected to be \$2,462,000 on June 30, 1993.

Section 3. This section appropriates the surplus state funds that were committed to the Bradley Lake Hydroelectric Project. This amount is estimated to be about \$11,000,000 on June 30, 1993.

Section 4. This section appropriates the portfolios, interest and security agreements on a several loan programs of the Energy Authority back to the new Energy Authority revolving fund. The unpaid principal of the loans of all programs listed are estimated to not exceed \$215,000,000 on June 30, 1993. This amount is expected to initially total \$10,396,000 annually from the power development revolving loan fund and increase slightly to \$12,000,000 in 2004. From all other loan funds the amount is expected initially to total \$2,413,000 annually and then decline each year as loans mature and are paid off.

Section 5. This section states that all funds reappropriated under this bill go to the Energy Authority revolving fund for its capitalization and do not lapse.

March 7, 1993

Section 6. This section establishes that this appropriation bill will only be effective when companion legislation establishing the Energy Authority revolving fund and relating to powers of the Energy Authority is passed by the legislature.

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 19, 1993

*The Honorable Rick Halford  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182*

*Dear Mr. President:*

*Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the financial reorganization of the Alaska Energy Authority. This bill reorganizes most of the loan portfolios, funds, and revenue managed by the Alaska Energy Authority into a single energy authority revolving fund. The substantive statutory language for certain existing funds is retained or modified to provide direction to the authority in carrying out future loan programs or investments. Several existing funds are renamed as accounts in the new revolving fund as follows:*

- "power project fund" (AS 44.83.170) becomes "energy project loan account,"*
- "power development fund" (AS 44.83.382) becomes "energy development account", and*
- "power development revolving loan fund" (AS 44.83.500) becomes "energy development loan account."*

*The bulk fuel revolving loan fund (AS 44.83.600 - 44.83.650) and the rural electrification revolving loan fund (AS 44.83.361 - 44.83.363) are repealed since their purposes*

GOVERNOR'S TRANSMITTAL LETTER  
FOR SB 124

*The Honorable Rick Halford  
February 19, 1993  
Page 2*

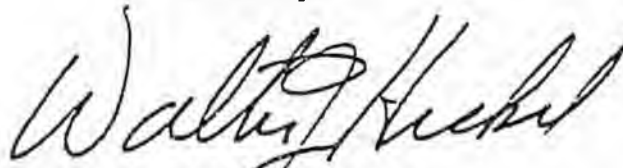
*become consolidated in the new energy project loan account. The electrical service extension fund (AS 44.83.370) and the power cost equalization fund (AS 44.83.162) would still remain separate funds.*

*It is the intent of this bill to consolidate revenue streams of the authority into the new energy authority revolving fund and thus to provide a more predictable non-general-fund source of financing for energy projects and other programs, including construction of electrical transmission interties from Anchorage to the Kenai Peninsula and from Healy to Fairbanks. It is anticipated that in the future the energy authority revolving fund will allow for funding and financing of energy projects such as interties for the Copper Valley region and Southeast Alaska. The fund further allows and plans for power cost equalization (PCE) money to be appropriated from the fund so that by the year 2001 no appropriations will be necessary from the general fund to sustain PCE at the level of \$17 million per year through the year 2013.*

*It is the intent of this legislation that the authority manage the revolving fund in such a manner as to allow the legislature to appropriate from the fund for PCE \$2,429,000 in fiscal year 1995, \$4,857,000 in fiscal year 1996, \$7,286,000 in fiscal year 1997, \$9,714,000 in fiscal year 1998, \$12,143,000 in fiscal year 1999, \$14,571,000 in fiscal year 2000, and \$17,000,000 in fiscal years 2001 through 2013, while allowing the authority to provide, from the revolving fund, a no-interest loan of \$90,000,000 for railbelt interties, and no-interest loans of \$40,000,000 each for interties or other energy projects in the Copper Valley region and Southeast Alaska. For interties that meet the criteria of connecting two or more utility systems that were not previously linked or that provide a second circuit to improve reliability and transfer capability, this legislation allows the authority to issue loans up to a 50-year term at no interest.*

*I urge your favorable consideration of this important legislation.*

*Sincerely,*



*Walter J. Hickel  
Governor*

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3600

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

125

February 19, 1993

*The Honorable Rick Halford  
President of the Senate  
State Capitol  
Juneau, AK 99801-1182*

*Dear Mr. President:*

*Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill making an appropriation to capitalize the energy authority revolving fund. This appropriation bill is a companion to a bill that I am transmitting relating to the financial restructuring of the Alaska Energy Authority (AEA) and the creation of the energy authority revolving fund.*

*This bill appropriates to the energy authority revolving fund the balance in the Railbelt intertie reserve and the Railbelt energy fund, surplus money from the Bradley Lake Hydroelectric Project, and the portfolios, interest, and security agreements of several AEA loan programs. These appropriations will provide a funding source for energy projects, including electrical transmission interties from Anchorage to the Kenai Peninsula and from Healy to Fairbanks. It is anticipated that, in the future, revenue from these appropriations will allow for funding and financing of energy projects such as interties for the Copper River area and Southeast Alaska and the funding of power cost equalization.*

*The amount appropriated from the Railbelt intertie reserve by sec. 1 of the bill is expected to be \$118,900,000 on June 30, 1993. The unencumbered balance of the Railbelt energy fund (AS 37.05.520), appropriated by sec. 2 of the bill, is expected to be*

GOVERNOR'S TRANSMITTAL LETTER  
FOR SB 125

*The Honorable Rick Halford*

*February 19, 1993*

*Page 2*

*\$2,462,000 on June 30, 1993. The surplus state money that was committed to the Bradley Lake Hydroelectric Project, appropriated by sec. 3 of the bill, is estimated to be \$11,000,000 on June 30, 1993.*

*Section 4 of the bill appropriates to the new energy authority revolving fund the portfolios, interest, and security agreements of several AEA loan programs. The unpaid principal of the loans of all programs listed in sec. 4 are estimated to be approximately \$220,000,000 on June 30, 1993. The amount generated from the appropriation of the power development revolving loan fund is expected to total \$10,396,000 annually, with an increase to \$12,000,000 annually in the year 2004. The amount generated from the appropriation of all other loan funds is expected initially to total \$2,413,000 annually and then decline each year as loans mature and are paid off.*

*I urge your prompt consideration and passage of this important legislation.*

*Sincerely,*

A handwritten signature in cursive script, appearing to read "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

*Walter J. Hickel*  
*Governor*

# Alaska Energy Authority

## MEMORANDUM

March 1, 1993

To: Ronald A. Garzini  
Executive Director

From: Richard Emerman   
Senior Economist

Subject: Consumer Impact of Railbelt Intertie Financing Alternatives

### Conclusions

In terms of average rate impact to Railbelt electric consumers, the difference between financing the Railbelt interties with a \$90 million grant vs. a \$90 million, 50-year, zero interest loan is less than 1/10 cent per kWh. The difference in the average residential electric bill between the two cases is about \$5.00 per year. A \$90 million, 50-year, zero interest State loan produces about the same effect in terms of annual consumer cost impact as a \$70 million State grant.

### Introduction

This memo compares the impact of two Railbelt Intertie financing alternatives on average electric rates that would be paid by Railbelt electric customers, and on the average annual electric bills that would be paid by Railbelt residential customers. The two financing scenarios are as follows:

1. Provide a \$90 million State grant and finance the balance with revenue bonds.
2. Provide a \$90 million, zero interest, 50-year State loan and finance the balance with revenue bonds.

The total capital cost of the Railbelt interties is assumed at \$180 million, resulting in a revenue bond issue of \$90 million in either financing scenario. If the actual capital cost exceeds \$180 million, the size of the bond issue will increase to cover the added cost in either case. In other words, though increases in the capital cost above \$180 million would result in additional cost to Railbelt consumers, it would not affect the relative cost, or the "spread," between the two financing alternatives.

The interest rate for the revenue bond issue is assumed at 8.5% over 30 years. While interest rates have declined sharply in the last week or two, 8.5% is consistent with conventional forecasts for "A" rated, taxable utility bond yields through the middle years of this decade.

CONSUMER IMPACT OF RAILBELT  
INTERTIE FINANCING ALTERNATIVES

Ronald A. Garzini  
March 1, 1993  
Page 3

Expressing this in terms of impact on average Railbelt rates:

1. State grant scenario -- 0.11 cents per kWh
2. State loan scenario -- 0.17 cents per kWh

The expected increase in average annual Railbelt residential electric bills:

1. State grant scenario -- \$9.24
2. State loan scenario -- \$14.28

#### Comparison of \$90 Million Loan With \$70 Million Grant

As shown above, the gross annual cost (i.e. without regard to offsetting savings) to Railbelt consumers in the \$90 million, 50-year, zero interest loan scenario is \$10.4 million. If the State were to support the Railbelt interties with a \$70 million grant instead, the annual cost to Railbelt consumers would again be about \$10.4 million. This is the sum of debt service on \$110 million of revenue bonds plus annual O&M. In other words, these cases are roughly equivalent in terms of annual consumer cost except that annual payment of \$1.8 million on the State loan portion would continue in years 31-50 under the State loan scenario while all debt service is paid off in 30 years under the grant scenario. Marginal differences between these two scenarios in costs of financing and interest during construction for different bond sizes should have little effect on this rough equivalence.



CHUGACH ELECTRIC  
ASSOCIATION, INC.

RECEIVED

MAR 05 1993

ALASKA ENERGY AUTHORITY

March 3, 1993

Mr. Ronald A. Garzini  
Executive Director  
Alaska Energy Authority  
P.O. Box 190869  
Anchorage, AK 99519-0869

Dear Ron:

The enclosed original "Memorandum of Understanding Regarding Railbelt Intertie Projects (Restructuring)" signed today by the Railbelt Managers is forwarded for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Highers", with a long horizontal line extending to the right.

David L. Highers  
General Manager

Enclosure

cc: Railbelt Utility Managers

cc: Ron  
Brent  
Herv  
Dick

orig: markup for contract files

**MEMORANDUM OF UNDERSTANDING  
REGARDING RAILBELT INTERTIE PROJECTS  
(Restructuring)**

THIS MEMORANDUM OF UNDERSTANDING dated the 3rd day of March, 1993, is entered into by the ALASKA ENERGY AUTHORITY ("Authority"), and CHUGACH ELECTRIC ASSOCIATION, INC., GOLDEN VALLEY ELECTRIC ASSOCIATION, INC., HOMER ELECTRIC ASSOCIATION, INC., MATANUSKA ELECTRIC ASSOCIATION, INC., the MUNICIPALITY OF ANCHORAGE, d/b/a MUNICIPAL LIGHT AND POWER, the CITY OF SEWARD, d/b/a SEWARD ELECTRIC SYSTEM and the ALASKA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC., represented by and through HOMER ELECTRIC ASSOCIATION, INC. and MATANUSKA ELECTRIC ASSOCIATION, INC. ("Utilities") for the purpose of setting forth a set of terms regarding funding and construction of additional Railbelt transmission facilities.

**WITNESSETH:**

A. The Authority desires to fulfill its mission of facilitating the development of reliable energy systems that satisfy the requirements of Alaskan consumers at the lowest reasonable cost;

B. The Utilities each own and operate electric utility facilities and are engaged in the business of collectively providing electric service to more than seventy percent (70%) of Alaskan consumers;

C. The Authority has constructed an electrical transmission system between Healy and Willow ("Existing Intertie") to interconnect the Railbelt Utilities;

D. The Utilities desire to further improve Railbelt transmission reliability and power transmission capability by financially cooperating with the Authority and constructing additional transmission facilities between Healy and Fairbanks and between Anchorage and Soldotna ("New Interties" or "Project");

E. The Authority is developing a financial restructuring proposal for consideration by the 1993 Legislature that would pool available energy assets and revenues for the purpose of funding various energy projects and programs around the State, including New Interties, interties or energy projects for Southeast Alaska and the Copper Valley region, conservation, and Power Cost Equalization; and,

F. The Authority and Utilities agree that a comprehensive proposal providing energy benefits throughout the State offers promise for securing sufficient funds to develop the New Interties.

**NOW THEREFORE**, the parties agree as follows:

**MEMORANDUM OF UNDERSTANDING  
RAILBELT INTERTIE PROJECTS (Restructuring)**

---

2

**1. Funding**

a. The Authority will provide a Ninety Million Dollar (\$90 Million) no interest loan for a term not to exceed fifty (50) years to the Utilities for the New Interties ("State Loan"). State Loan funds will be released by the Authority to the Utilities to meet Project expenses.

b. The Authority shall use its best efforts to issue long-term bonds in an amount sufficient to pay any Project costs in excess of the State Loan ("Bonded Amount").

c. The Utilities and the Authority will enter into an agreement providing the terms of repayment of the State Loan and any Bonded Amount ("Financing Agreement"). The Financing Agreement shall provide for a gradual phase-in of the repayment obligation of the State Loan and shall, to the extent feasible, provide for a gradual phase-in of the repayment obligation of any Bonded Amount. The phase-in may be in accordance with proposed financial restructuring of the Authority.

**2. Construction**

The Authority will contract with one or more Railbelt utility organizations approved by the Utilities for construction of the New Interties under terms outlined in the Financing Agreement, subject to legislative approval if required, consistent with the provisions of State law.

**3. Ownership**

Unless agreed otherwise by the terms of the Financing Agreement, the Authority shall be the initial owner of the New Interties. The Authority shall transfer ownership of the New Interties to one or more Railbelt utility organizations approved by the Utilities upon repayment of the amounts owed by the Utilities to the Authority for the State Loan and the Bonded Amount. The Utilities shall, under terms outlined in the Financing Agreement, be responsible for operation, maintenance, improvements, allocation of costs among the Utilities, and any risks associated with the New Interties prior to a transfer of ownership.

**4. Operation and Maintenance**

During the term of Authority ownership of the New Interties, the Authority will contract with one or more Railbelt utility organizations approved by the Utilities for operation and maintenance of the New Interties, and will retain oversight responsibility consistent with its ownership obligations.

**5. Payment of Costs**

Except as provided in Section 1 above ("Funding"), the Utilities shall pay all costs associated with construction, operation, and maintenance of the New Interties, including reasonable owner costs, in accordance with terms of the Financing Agreement.

MEMORANDUM OF UNDERSTANDING  
RAILBELT INTERTIE PROJECTS (Restructuring)

3

6. Support of Legislation

The Authority and Utilities agree to support legislation that implements the principles set forth in this Memorandum of Understanding, and further agree to consult with each other before modifying such support.

7. Necessary Approvals

The obligations of the respective parties set forth in this Memorandum are subject to each obtaining any necessary approvals, including legislative actions as required. The undersigned representatives hereby agree to recommend to their governing bodies the commitments contained in this Memorandum of Understanding.

IN WITNESS WHEREOF, the Alaska Energy Authority and the Utilities, as parties, have caused this Memorandum of Understanding to be executed the day and year first above written.

ALASKA ENERGY AUTHORITY

By: Donald Hays

CHUGACH ELECTRIC ASSOCIATION, INC.

By: David R. Hedges

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

By: Mike Kelly

ALASKA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE,  
INC./HOMER ELECTRIC ASSOCIATION, INC.

By: R. S. Huffman David Fair

ALASKA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE,  
INC./MATANUSKA ELECTRIC ASSOCIATION, INC.

By: R. S. Huffman Dan Hildley

MUNICIPALITY OF ANCHORAGE  
d/b/a MUNICIPAL LIGHT & POWER

By: Thomas R. Smith

CITY OF SEWARD  
d/b/a SEWARD ELECTRIC SYSTEM

By: E. D. Jones



## **Alaska Energy Authority**

A Public Corporation

### **FINANCIAL RESTRUCTURING OF THE ALASKA ENERGY AUTHORITY**

On October 12, 1992 the Board of Directors of the Alaska Energy Authority voted unanimously in favor of financially restructuring the Authority. That vote of support came after months of work by utilities around the state and the Authority to develop a plan to position Alaska to meet future energy needs during a time of declining state revenue.

The following day, Governor Walter J. Hickel gave the effort his strong support and said he would propose legislation in January to implement the financial restructuring. The legislative package is designed to serve two major goals: promote economic diversification by expanding the availability of reliable and affordable power, and provide continuing support for rural village economies by extending the Power Cost Equalization (PCE) program.

The financial restructuring would establish the Alaska Energy Authority Revolving Fund. The Fund and its earnings would provide the financial structure needed to construct four proposed intertie projects: one between the Kenai Peninsula and Anchorage, a second between Healy and Fairbanks, a third between the Copper River Valley and the Railbelt, and a fourth in Southeast Alaska to tap the underutilized power of the Tyee hydroelectric project. In addition, it would provide an annuity of \$17 million annually for 20 years to assure reasonable power costs in rural areas through Power Cost Equalization (PCE) or more efficient energy projects. It would also support a continuing budget of about \$3.5 million per year for rural technical assistance, small capital projects and conservation efforts.

The new Fund's beginning balance would be \$154.8 million. It would be composed of \$2.8 million currently in the Railbelt Energy Fund, \$100 million in the Railbelt Intertie Reserve Fund, \$21 million in interest on the Railbelt Intertie Reserve Fund, a Bradley Lake construction surplus of \$11 million and an additional State contribution of \$20 million. Annual revenues, such as repayment of the State loan for construction of the Four Dam Pool, would be deposited in the Fund as received.

With the exception of an annual General Fund appropriation (which would decline to zero over a seven-year period) to help support the PCE program, and any additional appropriations the Legislature may choose to make for specific purposes, the Authority would become self-supporting.

The restructuring would have a beneficial impact on the Authority's overall operations because it would make the structural changes necessary to establish accounts and prepare financial forecasts on a multi-year basis based on its kilowatt hour sales and investment income in keeping with normal practice in the utility industry. The legislation would propose specific language to authorize the establishment of reserve accounts for renewals and replacements, self-insurance, and capitalization to support and preserve operating projects. This would allow for long-range commitment of funds which, in turn, would allow long-range planning to occur. Currently, the Authority is limited in its ability to engage in long-

range planning due to the uncertainty of an annual budgeting process that requires an infusion of General Fund dollars.

According to utility estimates, the existing Anchorage-Fairbanks Intertie presently saves Railbelt consumers roughly \$7 million per year by allowing less expensive power from Southcentral Alaska to supply a significant portion of Fairbanks power requirements. However, the capacity of the Railbelt transmission system is inadequate for present day demands, and the existing single line connections do not satisfy prevailing industry reliability standards.

The single line between Anchorage and the Kenai Peninsula was built 30 years ago, but regional power demand is now 10 times higher than it was when the line was new. The single line from Healy to Fairbanks was built 25 years ago to carry 25 megawatts from a Healy power plant. Now that line carries 95 megawatts, including 70 megawatts from Anchorage. Both of the lines were built for a smaller system scale in an earlier era, and are now pushed to their operational limits.

Construction of the two interties would allow full use of the Bradley Lake hydroelectric project's capacity throughout the Railbelt and would accommodate additional power should a third turbine be added to the project.

The estimated construction cost of the Healy-Fairbanks and the Anchorage-Kenai Peninsula interties is \$180 million. The AEA Fund would provide one-half of the cost with a zero interest loan. The remaining half of the construction cost would be financed with revenue bonds.

The Copper Valley region and Southeast Alaska also would benefit from an expanded transmission network.

Copper Valley electricity consumers are burdened with retail power rates that, with the exception of rural Alaska, are among the highest in the United States -- close to 20 cents per kilowatt hour. Power demand in the region is growing beyond the energy capability of the Solomon Gulch hydroelectric project that presently serves the area. With the additional power requirements from the new Petro Star oil refinery in Valdez, roughly half of Copper Valley's electricity will be supplied with diesel generation. An intertie between the Copper Valley system and the Railbelt would provide lower cost power and eliminate the need for diesel fuel to generate electricity.

The preliminary cost estimate for the Copper Valley intertie is about \$60 million, with \$40 million coming from the AEA Fund in the form of a zero interest loan. The remaining monies would come from revenue bonds. A full feasibility study on the project is planned for 1993.

In Southeast, the Tyee hydroelectric project provides power to Wrangell and Petersburg. However, due to low demand only one-third of the project's generating capability is now being used. Ketchikan, south of the Tyee project, receives much of its electricity from the Swan Lake hydroelectric project. However, local demand is now outstripping Swan Lake's generating capability. The city will soon have to generate additional electricity using diesel fuel. Ketchikan is an obvious candidate for an intertie with the Tyee hydroelectric project.

Similarly, Juneau receives most of its electricity from the Snettisham hydroelectric project. Economic growth coupled with potential power sales to area mining developments could quickly lead to renewed fossil fuel-based power generation in the near future. As a result, Juneau is also a candidate for an intertie with the Tyee Lake hydroelectric project.

The cost estimate for a Southeast intertie segment to market Tyee Lake surplus power is also in the range of \$60 million, \$40 million of which could be financed with a zero interest AEA loan and the balance financed with revenue bonds.

The Energy Authority has administered what is now known as the Power Cost Equalization (PCE) program since its creation by the Alaska Legislature in 1981. Its purpose is to reduce the consumer cost of electricity in rural Alaska. In fiscal year 1992, about \$15.2 million was spent on PCE. In its 12-year history, the PCE program has disbursed nearly \$160 million to rural Alaska consumers in the form of rate relief. Although the bulk of power provided by utilities to commercial and industrial customers is not eligible for PCE, eliminating the program would double or even triple residential electric bills in many areas in rural Alaska.

The Alaska Village Electric Cooperative (AVEC), one of 97 utilities receiving PCE, is a good example of the program's impact. AVEC serves a population of 17,400 people in 49 rural villages. Only about one-third of the kilowatt hours sold by AVEC are eligible for PCE. The average AVEC residential rate without PCE is 41.7 cents per kilowatt hour. However, the utility's customers receive 21.8 cents per eligible kilowatt hour from PCE, resulting in an average residential rate of 19.9 cents for the first 750 kilowatt hours used per month. This is still roughly twice the average cost of power in Anchorage, Fairbanks and Juneau, as well as Petersburg, Wrangell, Ketchikan and Sitka.

The AEA Revolving Fund balance would be drawn down over a period of 20 years. During that time, the PCE Program would continue to be funded at roughly \$17 million per year, regardless of the phase-out of State General Fund support. As annual PCE General Fund appropriations by the legislature were being decreased, contributions from the Revolving Fund would be increased to make up the difference. This would provide a transition period for rural utilities to adopt cost-savings measures such as utility consolidation or use of more efficient technologies, and for communities to adapt to higher real energy costs in the long run.

Constructing the intertie projects will create a much stronger transmission system with greater capacity and far greater reliability, and eliminate the need to add additional diesel-fired generation capacity in many areas. All of these transmission projects will contribute to lower costs, greater reliability and greater system flexibility over the long term, all of which is critical to economic development and diversification. Further, the positive economic impact created by \$300 million in construction projects over the next several years will be significant.

Funding the Power Cost Equalization Program with an annuity not only benefits rural power consumers, but also will cut State General Fund spending by \$17 million per year.

Financially restructuring the Alaska Energy Authority will not reduce legislative oversight. The Authority will remain a state agency that must be responsive to the public's elected representatives.

In conclusion, almost \$135 million is available in reserve funds for the intended purpose of constructing energy projects. The premise of this proposal is that these revenues should be used for energy projects rather than lost to annual operating budgets. The proposal is further based on a deep concern that overnight reductions in the PCE Program would be catastrophic for rural Alaska. Financially restructuring the Alaska Energy Authority and creating the Revolving Fund can go a long way in meeting energy demand, promoting economic diversification and helping rural Alaska cope with today's high energy costs. We believe that providing reliable and affordable power is one of the best investments we can make with our non-renewable wealth.

ALASKA ENERGY AUTHORITY  
(All Dollars in Thousands)

Page 1 of 2  
29 Jan 93

	6/30/93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>AEA Revolving Fund Balance</b>	<b>\$154,800</b>	<b>\$172,401</b>	<b>\$180,992</b>	<b>\$180,920</b>	<b>\$122,445</b>	<b>\$61,600</b>	<b>\$62,444</b>	<b>\$61,520</b>	<b>\$58,298</b>	<b>\$55,383</b>	<b>\$52,725</b>
<b>Revenue</b>											
Revolving Fund Investment Income		11,610	12,930	13,574	13,569	9,183	4,620	4,603	4,614	4,372	4,154
Collections on Existing Loans		2,413	2,413	2,271	2,244	2,234	2,181	2,130	1,956	1,937	1,931
Intertie State Loan Repayments											
Railbelt Interties		0	0	0	0	0	360	720	1,000	1,440	1,600
Southeast Intertie		0	0	0	0	0	0	160	320	480	640
Copper Valley Intertie		0	0	0	0	0	0	160	320	480	640
Debt Service from 4-Dam Pool		10,396	10,687	10,909	11,155	11,405	11,504	11,766	11,932	12,064	12,121
Appropriation - PCE		17,000	14,671	12,143	9,714	7,206	4,857	2,429	0	0	0
Appropriation - PCE Admin.		182	190	199	207	217	227	237	0	0	0
<b>Total</b>		<b>41,801</b>	<b>40,772</b>	<b>39,096</b>	<b>36,890</b>	<b>30,325</b>	<b>23,829</b>	<b>22,285</b>	<b>20,222</b>	<b>20,773</b>	<b>21,206</b>
<b>Expenditure</b>											
Railbelt Intertie Construction		1,000	9,000	14,400	65,600	0	0	0	0	0	0
Southeast Intertie Construction		500	500	1,200	3,600	34,200	0	0	0	0	0
Copper Valley Intertie Construction		500	500	1,200	3,600	34,200	0	0	0	0	0
Conservation		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Capital Projects/ Programs		1,000	1,045	1,092	1,141	1,193	1,246	1,302	1,361	1,422	1,486
AEA Administration		1,500	1,588	1,638	1,712	1,789	1,869	1,953	2,041	2,133	2,229
PCE Outlay		\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000
Rural Technical Assistance		1,500	1,588	1,638	1,712	1,789	1,869	1,953	2,041	2,133	2,229
<b>Total</b>		<b>24,000</b>	<b>32,180</b>	<b>39,168</b>	<b>95,365</b>	<b>91,170</b>	<b>22,985</b>	<b>23,209</b>	<b>23,443</b>	<b>23,608</b>	<b>23,944</b>
<b>Surplus (Shortage)</b>		<b>\$ 17,801</b>	<b>\$ 8,592</b>	<b>(\$72)</b>	<b>(\$58,475)</b>	<b>(\$40,845)</b>	<b>\$ 844</b>	<b>(\$924)</b>	<b>(\$3,221)</b>	<b>(\$2,915)</b>	<b>(\$2,659)</b>

Revolving Fund Beginning Balance		Assumptions	
Railbelt Energy Fund	\$2,800	Annual Inflation Rate	4.5 %
Railbelt Intertie Reserve Fund	100,000	Return on AEA Fund	7.5 % of fund balance
Interest on Rblt Intertie Reserve	21,000	PCE State Appropriation	7 year ramp
Bradley State Fund Surplus	11,000	Interest Rate: State Intertie Loans	0.0 %
Additional State Contribution	20,000	Term: State Intertie Loans	50 years
<b>Total</b>	<b>\$154,800</b>	Railbelt Intertie Est. Total Cost	\$180,000
		Railbelt Intertie State Loan	\$90,000
		SE Intertie Est. Total Cost	\$60,000
		SE Intertie State Loan	\$40,000
		Copper Valley Est. Total Cost	\$60,000
		Copper Valley State Loan	\$40,000

Projections exclude restricted revenues and associated expenditures.  
(Example: revenues dedicated to project operations and maintenance.)

ALASKA ENERGY AUTHORITY  
(All Dollars in Thousands)

page 2 of 2  
29 Jan 93

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
<b>AEA Revolving Fund Balance</b>	<b>\$50,880</b>	<b>\$48,442</b>	<b>\$45,396</b>	<b>\$41,795</b>	<b>\$37,050</b>	<b>\$32,920</b>	<b>\$27,544</b>	<b>\$21,457</b>	<b>\$14,591</b>	<b>\$6,871</b>	
<b>Revenue</b>											
Revolving Fund Investment Income	3,954	3,810	3,633	3,405	3,135	2,824	2,469	2,066	1,609	1,094	\$111,015
Collections on Existing Loans	1,831	1,609	1,425	1,347	1,333	1,333	1,333	1,333	1,333	1,333	35,920
Intertie State Loan Repayments											
Railbelt Interties	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	23,400
Southeast Intertie	800	800	800	800	800	800	800	800	800	800	9,600
Copper Valley Intertie	800	800	800	800	800	800	800	800	800	800	9,600
Debt Service from 4-Dam Pool	12,182	12,228	12,280	12,330	12,395	12,454	12,512	12,568	12,625	12,684	230,263
Appropriation - PCE	0	0	0	0	0	0	0	0	0	0	68,000
Appropriation - PCE Admin.	0	0	0	0	0	0	0	0	0	0	1,458
<b>Total</b>	<b>21,387</b>	<b>21,053</b>	<b>20,738</b>	<b>20,408</b>	<b>20,283</b>	<b>20,011</b>	<b>19,714</b>	<b>19,367</b>	<b>18,967</b>	<b>18,511</b>	<b>497,556</b>
<b>Expenditure</b>											
Railbelt Intertie Construction	0	0	0	0	0	0	0	0	0	0	90,000
Southeast Intertie Construction	0	0	0	0	0	0	0	0	0	0	40,000
Copper Valley Intertie Construction	0	0	0	0	0	0	0	0	0	0	40,000
Conservation	0	0	0	0	0	0	0	0	0	0	10,000
Other Capital Projects/ Programs	1,553	1,623	1,698	1,772	1,852	1,935	2,022	2,113	2,208	2,308	31,371
AEA Administration	2,329	2,434	2,544	2,658	2,778	2,903	3,034	3,170	3,313	3,462	47,057
PCE Outlay	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000	340,000
Rural Technical Assistance	2,329	2,434	2,544	2,658	2,778	2,903	3,034	3,170	3,313	3,462	47,057
<b>Total</b>	<b>23,212</b>	<b>23,491</b>	<b>23,784</b>	<b>24,089</b>	<b>24,408</b>	<b>24,741</b>	<b>25,089</b>	<b>25,454</b>	<b>25,834</b>	<b>26,231</b>	<b>645,406</b>
<b>Surplus (Shortage)</b>	<b>(\$1,845)</b>	<b>(\$2,438)</b>	<b>(\$3,045)</b>	<b>(\$3,681)</b>	<b>(\$4,145)</b>	<b>(\$4,730)</b>	<b>(\$5,376)</b>	<b>(\$6,087)</b>	<b>(\$6,867)</b>	<b>(\$7,720)</b>	<b>(147,929)</b>

# FISCAL NOTE

No. 1

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Bill Version: SB 124

(S) Publish Date: 2-19-93

Revision Date: \_\_\_\_\_ Dept. Affected: Dept. of Commerce & Ec.  
 Title: "An Act relating to the BRU: \_\_\_\_\_  
financial reorganization of the AEA Component: Alaska Energy Authority  
 Sponsor: Rules by Request of Governor  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. \_\_\_\_\_

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE FUND SOURCE:</b>	-0-	-0-	-0-	-0-	-0-	-0-

**FUNDING:**

(Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

	FY94	FY95	FY96	FY97	FY98	FY99
FULL-TIME						
PART-TIME						
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY93) impact: \$ \_\_\_\_\_

**ANALYSIS:** (Attach a separate page if necessary)

Prepared by: \_\_\_\_\_  
 Division: \_\_\_\_\_  
 Approved by Commissioner: Paul J. ...  
 Agency: Dept. of Commerce and Economic Dev.

Phone: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Date: \_\_\_\_\_

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FISCAL NOTE FOR SB 124



## Alaska Energy Authority

A Public Corporation

March 11, 1993

The Honorable Tim Kelly, Chairman  
Senate Labor & Commerce Committee  
Alaska State Senate  
State Capitol  
Juneau, AK 99801-1182

Dear Senator Kelly:

Re: SB 124, An Act Relating to the Alaska Energy Authority  
Proposed Amendments for Interties

Enclosed are proposed amendments to SB 124 for your committee's consideration.

The proposed amendments would:

- Tim has  
planned  
with //*
1. Authorize design and construction of a 115KV intertie between the Tye Lake and Swan Lake hydroelectric projects and reserve \$40,000,000 from a proposed AEA revolving fund to finance a substantial portion of the line.
  2. Direct the AEA to reserve \$40,000,000 from its proposed revolving fund for partial financing of a Sutton to Glennallen 138 KV intertie. The Legislature would still need to authorize design and construction of such a line upon completion of feasibility studies.
  3. Add a new paragraph to Section 10 regarding direction for management of the revolving fund and to make it clear that the Legislature could appropriate funds from the revolving fund for PCE or other projects that the Legislature may decide.

There would be no change required in the companion appropriation bill, SB 125, in order to effect these amendments.

We thank you for your consideration of these amendments.

Sincerely,

Ronald A. Garzini  
Executive Director

RAG/ra045.RAG  
031193a  
Enclosure

**Proposed Amendments to SB 124**

Add a new Section 62 to read as follows:

\* **Section 62:** In accordance with AS 44.83.185(c) and contingent upon Sec. 5 of this Act, the Alaska Energy Authority is authorized to design and construct a 115 kilovolt transmission line between the Tyee Lake and Swan Lake hydroelectric projects at a cost of \$56,000,000 in 1992 dollars. The Alaska Energy Authority is further directed to manage the Energy Authority revolving fund to reserve \$40,000,000 for future use as a loan to finance construction of an intertie between the Tyee Lake and Swan Lake hydroelectric projects or for an energy project of comparable value to Southeast Alaska energy consumers.

A new Section 63 to read as follows:

\* **Section 63:** (a) The authorization made in Section 62 of this Act shall take effect:

(1) upon the execution of a written agreement between the Alaska Energy Authority and the participating utility or utilities that provides that the participating utility or utilities agree to pay

(a) the design and construction costs of the line; and

(b) the operation and maintenance costs of the line;

(2) upon completion of the requirements provided by AS 44.83.181, AS 44.83.183, and AS 44.83.185(a).

Add a new Section 64 to read as follows:

\* **Section 64:** The Alaska Energy Authority is directed to manage the Energy Authority revolving fund to reserve \$40,000,000 for future use as a loan to finance

construction of a 138 kilovolt intertie between the Copper Valley and Railbelt electrical systems or for an energy project of comparable value to Copper Valley energy consumers. Release of this reservation for project design and construction shall be contingent upon future authorization by the Legislature in accordance with AS 44.83.185(c).

Add a new paragraph to Section 10 to read as follows:

(i) The Authority shall manage the revolving fund in such a manner as to leave available sufficient unencumbered sums, as to allow the Legislature to appropriate from the fund \$2,429,000 in fiscal year 1995, \$4,857,000 in fiscal year 1996, \$7,286,000 in fiscal year 1997, \$9,714,000 in fiscal year 1998, \$12,143,000 in fiscal year 1999, \$14,571,000 in fiscal year 2000, and \$17,000,000 in fiscal year 2001 through 2013 for the Power Cost Equalization Program, or for other purposes that the Legislature may decide.

# ***Alaska Energy Authority***

## **RURAL ENERGY STRATEGY**

February 16, 1993

### **PURPOSE AND GOAL STATEMENT**

The purpose of this paper is to outline a comprehensive strategy to assist electric utilities in rural Alaska to become self-sufficient and self-supporting. The goal of the strategy is to ensure a viable future for rural utilities faced with a decline and possible elimination of state financial and technical assistance over time.

### **THE NEED FOR A RURAL ENERGY STRATEGY**

Electric power is widely accepted as an essential commodity for modern civilization. Nearly every community in Alaska is served by a centralized electric system, providing power to residential, commercial and institutional customers. Public services such as water, sewer and telephone rely on electric power, as do public facilities and institutions such as schools, churches, clinics, city halls, community centers, airports and docks. Businesses such as stores, restaurants, hotels, processing plants, mines, and marinas need electric power to operate. The economic viability of a community may be dependent on the availability of reliable, affordable electricity. In rural Alaska, however, the cost of producing electric power has, historically, been extremely high, while system reliability and power quality have been very low. The State of Alaska has, for years, subsidized the cost of providing power in rural Alaska by financing capital projects for electric utilities, providing technical and emergency assistance, and funding utility operating costs through the Power Cost Equalization (PCE) Program.

In the face of declining revenues, the state cannot indefinitely continue subsidizing the cost of power production in rural Alaska at current levels. Yet, if this assistance were to stop abruptly, it would be disastrous to many small communities. They simply could not afford to continue providing the electrical service upon which their communities rely. The funding levels of the PCE program and other state energy programs depend on annual appropriations, which in turn depend on the availability of state funds and the political environment. In recent years, funding for the PCE program has been placed in serious jeopardy. A comprehensive strategy is needed in order to ensure that rural Alaskan communities continue to have access to affordable electric service while they prepare for the decline and possible elimination of state assistance.

### **THE ENERGY PROBLEM FACING RURAL ALASKA**

There are over 130 utilities in Alaska--more than in Washington, Oregon, Idaho and Montana combined. The large majority of these utilities serve a single city or village. Sixty percent serve fewer than 200 customers. Each utility is independently

responsible for its own management and administrative services, such as billing and accounting, collections, PCE filings, insurance coverage, financial and power supply planning, legal matters, and office facilities. Each utility is also responsible for providing technical and professional services such as engineering; operation and maintenance of generation, distribution, and fuel deliver and storage systems; renewal and replacement of those systems; and system upgrades and expansions. For the many small independent utilities in rural Alaska, the economies of scale and customer bases simply do not exist to operate financially viable utilities. These utilities depend on state financial assistance to operate. Management and administrative services are usually provided by the city or village government. The PCE program funds the major costs of utility management, operations and maintenance. What is not covered by PCE is covered in the utility's rates to one or more classes of consumers. In many communities, however, the largest customer by far is the state-funded school, which sometimes purchases more than half the available power.

Even with the PCE program carrying the majority of the cost, most of the utilities serving a single small community do not employ trained, qualified utility managers and plant operators, do not purchase insurance on utility facilities, do not provide a sinking fund for equipment renewals and replacements, and do not have an effective preventative maintenance program. Some of these same communities, however, claim they fund the operations of the city or village government off the "profits" from the electric utility. They do this by setting rates for electric customers far in excess of the cost of producing the electricity consumed, collecting the maximum allowable in PCE payments from the state, and using excess revenues from the electric utility to fund other city/village services. Again, the state-funded school often provides the majority of this revenue. Because the utility is owned by the city/village government, it is not regulated by and its rates are not reviewed by the Alaska Public Utilities Commission (APUC). The state makes this practice possible (and profitable) by not allowing the utility to face the consequences of poor utility management. The state routinely provides training to plant operators, technical and maintenance assistance; system renewals, replacements and upgrades; and emergency and disaster response. Consequently, there is no need for the communities to cover these costs through utility revenues. This is, of course, inherently unfair to communities who belong to existing rural cooperatives which cover most, if not all, of these costs through customer rates. For example, while the cost of facility insurance is included in the rate structure of some rural consumers, others rely on state emergency assistance programs as the "insurance" on their facilities.

Most small utilities in rural Alaska are dependent on diesel generators. No other energy system may be economically feasible to provide for the small electric loads in rural areas. For some small communities, even a centralized diesel system is not economically feasible. While diesel engines have a low initial installed cost compared to other generation systems, they are extremely inefficient, have high operating and maintenance costs, and have a short economic life. The smaller a diesel unit is, the

lower is its efficiency and the higher is its cost of maintenance. The operating costs of diesels are also, of course, subject to the volatility of world oil prices. Diesel systems in rural locations require fuel storage and delivery systems; and, in many rural areas, companies are capable of delivering fuel only once or twice a year. Consequently, rural communities require large bulk fuel storage farms with their inherent risk of fires and spills. A recent Energy Authority survey of rural fuel storage systems indicates that the cost of upgrading existing systems in rural Alaska to minimum safety and code requirements exceeds \$200 million. This does not include the cost of environmental clean-up that may be required due to previous leaks in the systems.

### **SOLUTIONS TO THE PROBLEM**

The long-term solution to the energy problems in rural Alaska depends on three components: (1) the administrative consolidation of small stand-alone utilities with poor management into cooperatives or other professional utilities; (2) the interconnection of isolated electric load centers where feasible; and (3) capital substitution of diesel electric systems whenever possible with systems that have higher efficiencies, lower operating and maintenance costs, longer economic lives, and that use locally available fuels and resources. The best of all situations would be for a number of communities in a geographic area to interconnect their electrical systems, generate their power through a local renewable resource, and provide a single administrative unit that handles maintenance, operations, and management for all the communities.

Consolidation of utilities will increase economies of scale, allowing the consolidated utility to spread fixed costs over a larger customer base and ensuring a financially viable operation. A single centralized office will reduce administrative costs. With consolidation, fewer administrative employees are needed to manage the member utilities and to serve the customer base. A consolidated utility has greater leverage with suppliers resulting in lower prices for bulk purchase of fuel, materials and equipment. It can obtain umbrella insurance coverage on facilities at an affordable cost, whereas a stand-alone utility may not be able to get insurance at any price. A consolidated utility can afford to provide full-time positions at competitive salaries and can provide employee benefits packages, technical training and job security. Cooperatives and consolidated utilities have greater leverage with financial institutions, may qualify for low-interest Rural Electric Administration (REA) loans, and are in a better position to deal with state and federal agencies on regulatory matters. Such utilities can also be effective in implementing energy conservation and load management programs to increase end-use efficiencies. They may even be in a position to provide other utility services such as sewer, water, gas and telephone, further increasing economies of scale for all utility services in a community. Consolidated utilities are regulated by the APUC, thus ensuring fair and reasonable rates to all consumers.

Interconnection of load centers can significantly increase generator efficiency and reduce electricity costs. Interties between communities allow for the retirement of small inefficient generating systems and the employment of larger more efficient systems requiring less fuel and less maintenance. Interconnected loads increase the likelihood that alternative energy systems (such as small hydro, coal, biomass, wind or geothermal) would be feasible options by providing larger power markets that are within the economies of scale for these technologies. Interties also increase efficiency by improving load factors—the ratio between peak demand and average demand on a system. Improved efficiency reduces emissions, allowing utilities to more easily meet current and future air quality standards. Interties allow for a reduction in the number of fuel storage and delivery systems, thus significantly reducing the risk of fuel spills and resulting high clean-up costs.

The third component for resolving the energy problem in rural Alaska is the eventual substitution of diesel-fueled systems with other more efficient, lower cost, environmentally acceptable alternatives. Use of local resources for energy production not only provides for long term stability in energy costs, but can also provide jobs and long term economic development in a region. Alternative energy systems, however, have higher up-front costs than diesel generating systems, require a higher level of technical skills for operation and maintenance, and are more effective in meeting larger base loads. Consequently, they are likely to become economically and financially feasible only after utility consolidation and interconnection have occurred.

## **A STRATEGY FOR IMPLEMENTATION**

The key to implementing a strategy for resolving the energy problems of rural Alaska is to first stabilize the financial situation as it relates to energy production. The most effective approach for this is to annuitize a substantial portion of the state's energy assistance to rural Alaska for a designated period of time sufficient to plan for and prepare for its eventual elimination. Professional utilities and other potential investors (including the federal government) have little interest in taking on the energy problems of rural Alaska under the current system where they do not know from one year to the next whether state energy assistance will be available. Annuitizing such assistance would provide a cash flow that could be forecast by potential investors for a designated planning period, ensuring availability of at least a basic level of state assistance until system efficiencies can be improved. The Energy Authority's financial restructuring plan provides for a \$17 million PCE annuity for 20 years. In addition it provides \$3.5 million per year (in real 1993 dollars) for rural technical assistance, other capital projects and programs, and conservation measures.

As the overall rural energy financial picture is stabilized through the ability to forecast the level of future state assistance, the Energy Authority will initiate a community-by-community effort to determine the best long-term solution to meet energy needs in rural

Alaska. Communities with utility management and operations problems will be encouraged to join established cooperatives or other professional utilities. Business management and plant operator training will be provided through the Alaska Vocational Technical Center and other resources to ensure the availability of qualified individuals for a professional utility to draw on for operations and management at the local level. Capital upgrades and improvements will be prioritized on the basis of how they best meet the long-term energy plan for the community. Following system improvements that address life, health and safety hazards, priority will be given to upgrades that will improve the system to the standards required for consolidation with a professional utility. The Energy Authority will coordinate with other state agencies and participate in the Alaska Rural Development Council to ensure that capital project and economic development programs are coordinated and consistent with the goals of the rural energy strategy on a community-by-community basis. The Energy Authority will also work with APUC to see that the PCE program is administered in a manner consistent with the long-term energy plan for each community and to ensure that there is no abuse of the program so that all participants in the program receive their fair share of program funds.

Cooperatives and professional utilities will be encouraged to expand their systems to include small stand-alone utilities. They will be offered contracts to provide technical training and maintenance services to small independent utilities in rural Alaska. Priority will be given to capital improvements projects in communities that are members of consolidated utilities. Energy Authority staff will also work with the REA and other federal agencies to secure grants and low-interest loans for consolidated utilities in Alaska. Assistance will be provided to consolidated utilities to analyze the economic and financial feasibility of interties and alternative energy systems that will improve efficiency and better prepare the utility for the decline and eventual termination of PCE payments. The Energy Authority will actively pursue financing, in cooperation with the consolidated utility, for any such feasible projects.

## CONCLUSION

This strategy is a significant departure from the way the state has addressed rural energy issues in the past. But it has been developed in response to a future financial situation that is very different from what has been faced by the state in the past. While a piecemeal and, all too often, a "bandaid" approach has been taken to rural energy problems previously, this strategy attempts to address energy issues and problems in a comprehensive manner with the future viability of rural utilities and rural communities in mind. Its implementation will mean rural communities will need to take a new perspective on energy issues and on the respective roles of the utility, the local government and the state government in dealing with those issues. The strategy, however, will provide rural communities the assurance that the energy systems upon which they have come to depend will provide reliable, affordable service for many years to come.