

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 0072

10038 SENATE • COMMUNITY & REGIONAL AFFAIRS •

KETCHIKAN PUBLIC UTILITIES

Memorandum

To: The Honorable Bob Weinstein & City Council

From: John Magyar, KPU General Manager *JM* ACTING

Date: February 27, 1998

Subject: Power Supply Options—Staff Opinion

There are two basic hydroelectric strategies that staff has been pursuing. One is construction of the Swan-Tyee Intertie which will allow us access to surplus energy at the Lake Tyee project. The other is a combination of local small hydroelectric projects. Staff recommends that Council continue to pursue the Intertie strategy while developing the small hydroelectric alternative. Pursuing licensing efforts for the Whitman, Connell and Carlanna projects, considering proposals for Metlakatla and Mahoney power sales and developing the most cost effective construction sequence for these options will provide us a backup plan if the Intertie fails to obtain necessary funding or voter approval.

While this memorandum address staff opinion with regard to both Swan-Tyee Intertie and small hydroelectric strategies, action requested by staff at the March 5, 1998 Council meeting simply relates to the timing of initial construction activities of the Intertie using grant funds. Unless explicitly directed by Council to the contrary, staff will continue to pursue the Intertie as the primary strategy and small hydroelectric as an alternative strategy.

If we are unable to proceed with full construction of the Intertie for lack of funding, we would be in a position to make a full commitment to the small hydroelectric alternative with a bond election for the Whitman project in the year 2000. Staff recommends that we use these next two years to seek a complete funding package for the Swan-Tyee Intertie. A discussion of the Intertie and small hydroelectric strategies follows.

Swan-Tyee Intertie:

Staff continues to consider the Swan-Tyee Intertie as the strategy that would best meet the energy needs of Ketchikan over the long term. In the early 1990's, the Intertie was investigated as a means to make surplus available at Lake Tyee to meet the hydroelectric shortage in Ketchikan. In 1993 the State enacted legislation which provided a combination of annual grants and \$60 million in loans and bonds to KPU for the project. This funding allowed us to begin the engineering and permitting efforts in 1994.

The Swan-Tyee Intertie is an expensive project but provides unique opportunities to the community which cannot be overlooked. The sale of surplus Tyee energy is a win-win

proposition for Ketchikan as a customer and a member of the Four Dam Pool, allowing us to supply our ratepayers with low-cost hydroelectricity while enjoying a portion of those revenues through the Four Dam Pool. The Intertie will allow us the reliability and flexibility of sharing regional resources, giving us the same kind of benefits the Bonneville Power Administration has given the Pacific Northwest. Access to large regional hydroelectric resources will allow Ketchikan to avoid dependency on fossil fuel generation for decades into the future. Finally, we would be taking advantage of our delegations' strong position in Washington D.C. as well as a sympathy factor there for the harm done to the Southeast Alaska timber industry, a combination of events we are unlikely to ever see again.

With the news of the pulp mill closure in September of 1996, we were no longer able to depend on enough revenue to fund the Intertie. What is worse, we also were losing the backup generating capacity that the mill was often able to offer us. Without the mill, the loss of Ketchikan's single largest generation facility (Swan Lake) would put the community into a rotating blackout situation. The Ketchikan voters in October of 1996, the month after the mill closure was announced, voted to approve a \$13.7 million bond issue for a diesel generator. This generator will allow us to provide sufficient backup power to avoid blackouts when Swan Lake is off-line.

Ketchikan's energy demand had not diminished but we had lost generating capacity and revenue to fund the Intertie with the closure of the pulp mill. With that in mind, City Council approved a lobbying plan to seek federal funding for the Intertie. Due to the efforts of Senators Stevens and Murkowski, and Representative Young, \$10 million was provided for the Intertie in the FY98 federal budget. Another \$30 million will be sought in FY99.

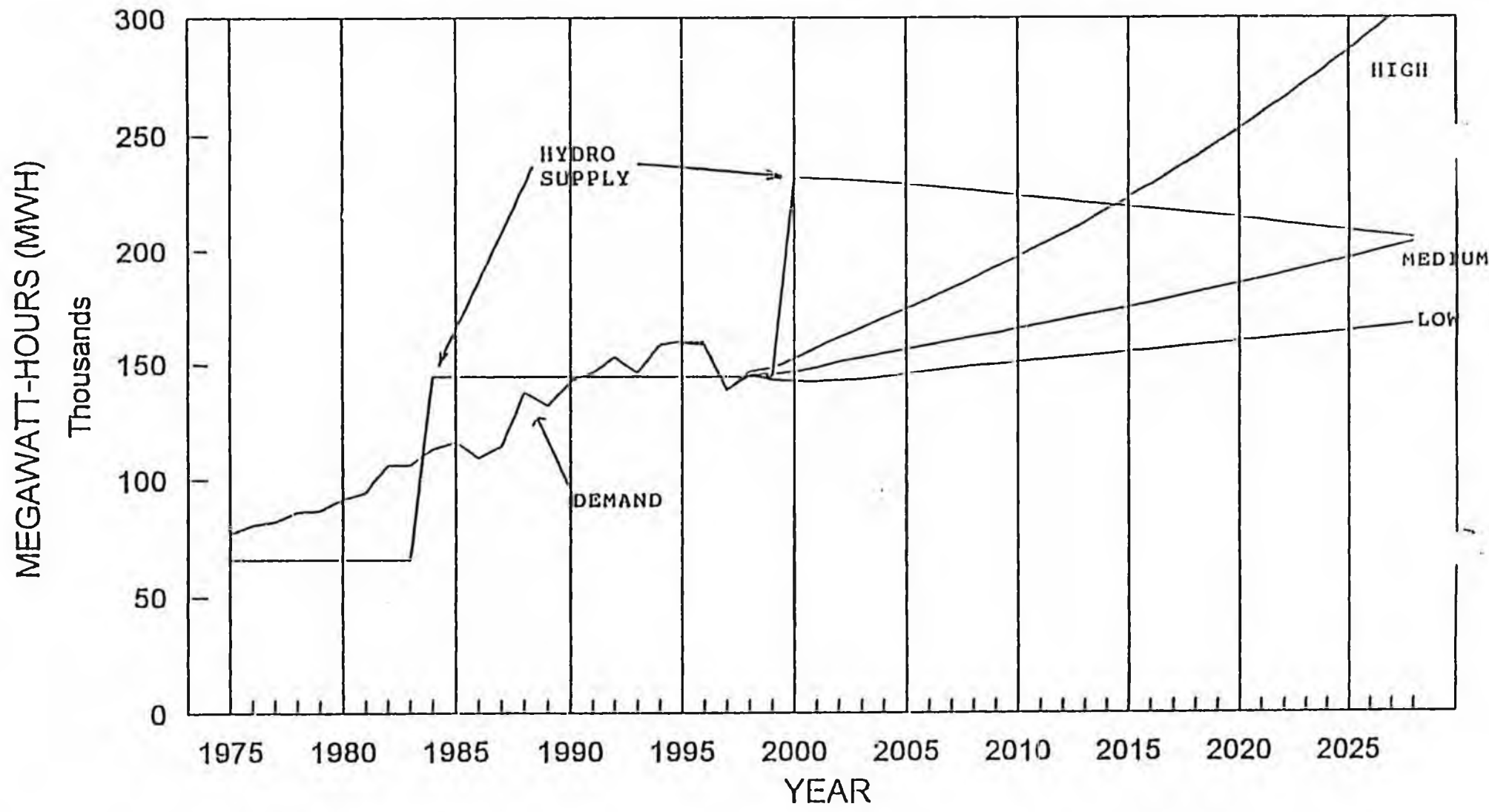
Since this project became a regional priority in the late 1980's, City Council has been asked on numerous occasions—*Do we continue with the Intertie or stop now?* We are at another decision point. Do we proceed with bidding first year construction? Senator Stevens and his staff were very clear when we visited last year—the federal government budgets one year at a time, if you are seeking federal funding you've got to recognize that you must proceed on faith. In turn, our lobbying group responded that we can do that provided that we are not obligated to spend local dollars until the last year of construction. Staff believes that a decision not to proceed will result in the loss of the existing \$10 million federal allocation. Senator Stevens needs to know by mid-March whether the Intertie is going forward in order to seek FY99 funding.

If one is optimistic about the Ketchikan economy, the Swan-Tyce Intertie is clearly our most cost effective power strategy for the future. While we have commissioned and distributed an *Electric Load Forecast* that considers the closure of the pulp mill, there is significant difference between the high, base and low forecasts. Staff recommends that in planning for future power supply infrastructure that we act conservatively and consider how we might meet the higher demands. In particular, Council should note that the "base" case does not assume new demands from new industry at the pulp mill site, or our need to supply energy to the KPC saw mill resulting from their recently announced closure of their power house.

Swan-Tyee Intertie

- With nearly half of Ketchikan's power coming from Swan Lake in a typical year. This project has by far the greatest potential for reducing KPU's wholesale and retail power rates in the future.
- A fully utilized Tyee Project has the potential of reducing the Swan Lake wholesale rates from the current 6.8 cents to the 5 to 5.5 cent per kWh range.
- Additionally, as an interruptible Tyee power consumer a special negotiated price below the standard Four Dam Pool wholesale rate is likely for KPU.
- This project is supported by the Four Dam Pool communities since it is the only possible way of reducing the power purchase rate under the power sales agreement with the state.
- The state is currently analyzing the project to determine if they are willing to bond for this project.
- A state divestiture of the Four Dam Pool projects (something that has been sought intermittently by the Four Dam Pool communities and the state for years) and acquisition of Swan Lake by KPU will allow power (20 years out) to be a bargain like Ketchikan Lakes, Silvis lake and Beaver Falls power is today with generation costs under 2 cents per kWh.
- This project will open up the possibility of future generation sources in the Petersburg area, and is the first phase in a SE Alaska grid.
- The EIS is complete. Record of Decision has withstood appeals. This project is ready to construct.
- Must be developed and have priority over other future generation projects in order to hold on to the federal funding now in hand.
- This project is less attractive economically if it falls behind other resources such as Mahoney, Metlakatla or Whitman. The Governor has repeatedly stated that his support is tied to the economics of the project. Unless we think he is fooling us, we cannot believe the contention that the intertie will be built by the state just because it's good infrastructure.
- Under the Four Dam Pool power sales agreement with the state and the other Four Dam Pool Communities, KPU is obligated to buy available power from the Four Dam Pool initial projects immediately after our existing hydro resources. Ketchikan should honor that commitment. Certainly, if another resource, such as Mahoney, has available power and Ketchikan needs it, we should buy such power at reasonable prices but we should not sign an agreement that directly conflicts with an existing agreement.
- Construction of this project will provide an economic boost for the community with jobs, and materials/service spending.

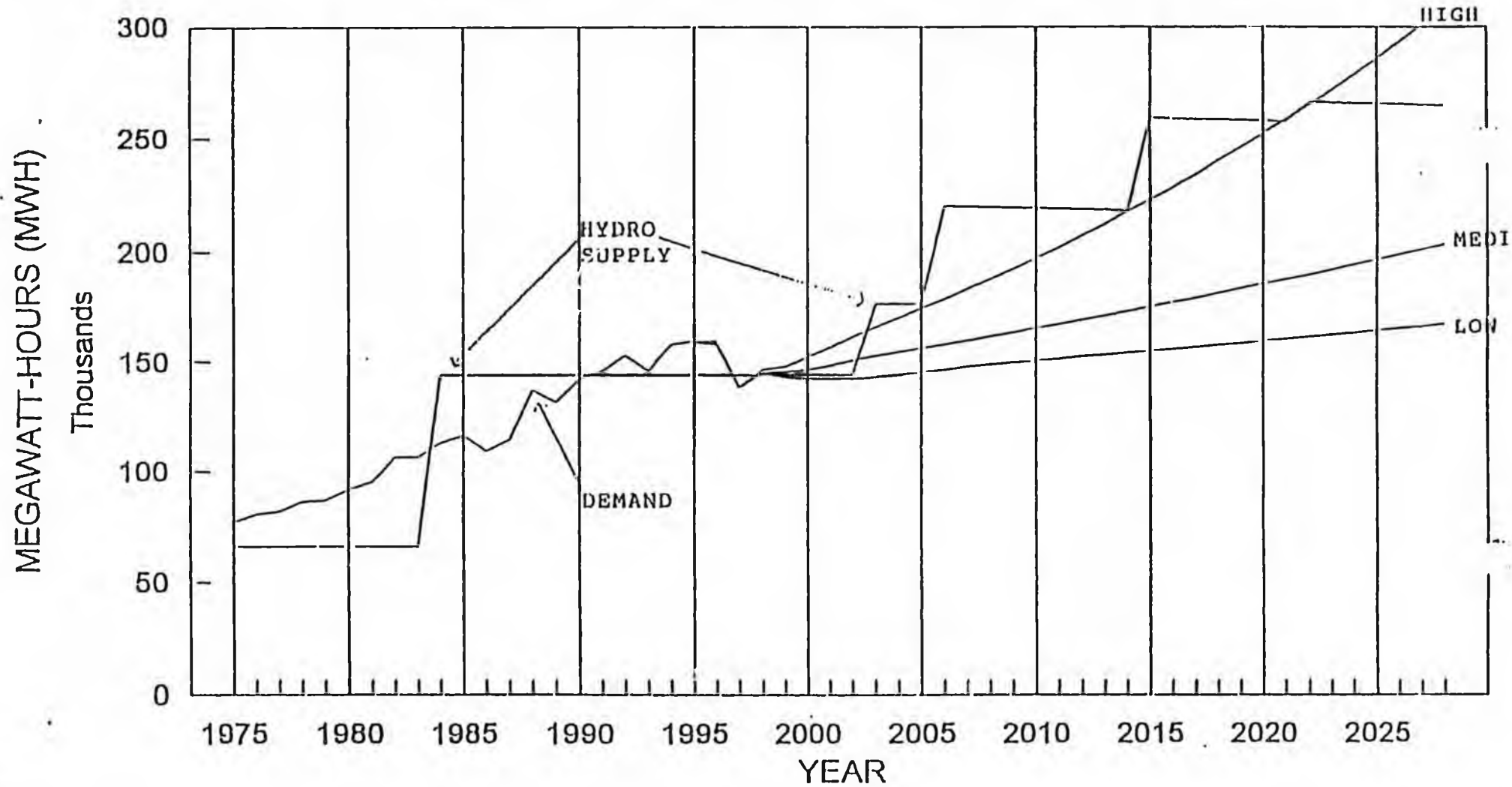
HYDROELECTRIC ENERGY SUPPLY AND DEMAND



SWAN-TYEE INTERTIE (2000)

HYDROELECTRIC ENERGY

SUPPLY AND DEMAND FOR HIGH LOAD GROWTH



WHITMAN and CONNELL (2003), METLAKATLA (2006)
MAHONEY (2015), CARLANNA and BEAVER FALLS (2022)

**FINANCIAL STATUS
SWAN-TYEE TRANSMISSION LINE INTERTIE**

Engineer's Estimate: **\$74,000,000 (1)**

State of Alaska FY 1994 grant	- \$ 4,664,262
State of Alaska FY 1995 grant	- \$ 4,000,000
State of Alaska FY 1996 grant	- \$ 2,560,000
US Department of Energy grant	- \$ 9,900,000
State of Alaska FY 2000 grant	- \$ <u>4,443,587 (2)</u>

Remaining Cost: **\$48,432,151**

Proposed Funding for Remaining Costs:

Federal grant	\$20,000,000
State funding (Four Dam Pool)	\$28,432,151

Notes:

(1) Raytheon January 1998 estimate for total project including permitting, engineering, construction, owner's costs and 15% contingency. Assumes domestic timber sale credit. Escalated from 1997\$ to 1998\$ at 3%.

(2) Legislation introduced, not yet appropriated.

K4867
0110
CC: KA

PROJECT STATUS

SWAN-TYEE TRANSMISSION LINE INTERTIE

DESCRIPTION:

Until recently, Ketchikan has mitigated its high cost of living through hydroelectric power. In recent years, normal growth has caused a shortage of hydroelectricity forcing our reliance on expensive diesel generation. Increased diesel dependence combined with the recent closure of our largest single employer, the Ketchikan Pulp Mill, handicaps our ability to attract replacement industry. But only 60 miles to the north, two-thirds of the hydroelectric potential at the Lake Tyee project is wasted. The Swan-Tyee Intertie would allow Ketchikan to purchase surplus energy and cease its dependence on diesel until beyond the year 2015. In addition, this project will create a Southeast Alaska grid improving the reliability of electrical power throughout the communities of Ketchikan, Wrangell and Petersburg.

HISTORY:

- 1980 Tyee-Swan-Ketchikan transmission line proposed as alternative to Swan Lake project.
- 1984 Swan Lake hydroelectric project commissioned.
- 1987 Swan-Tyee Intertie identified as promising in SE Alaska Transmission Intertie Study.
- 1991 Swan-Tyee preliminary market and financial assessment performed by AEA.
- 1992 Swan-Tyee feasibility study performed by AEA.
- 1993 State of Alaska legislature approves combination of grants, loans and bonding.
- 1994 KPU begins engineering and permitting.
- 1997 Federal government appropriates \$10 million grant.
- 1997 Engineering complete, Final EIS Record of Decision signed and upheld after appeal.
- 1998 Ketchikan completes \$12 million bond funded diesel project - required back up to Intertie.

SUPPORT:

The Swan-Tyee Intertie has enjoyed popular support consistently throughout its history and throughout the region. A variety of local organizations including the City, Borough, Chamber of Commerce, School District and others have approved this project as a regional priority in our annual legislative requests since the late 1980's. In addition to Ketchikan, sale of energy from Tyee benefits the Four Dam Pool communities of Kodiak, Copper Valley, Petersburg and Wrangell. Finally, Southeast Conference and the Mayors throughout Southeast Alaska have expressed unified support for this intertie as the first leg in a Southeast Alaska electrical grid.

BUDGET:

Project cost is \$74 million assuming credit from a domestic timber sale. \$25.6 million has been grant funded to date of which KPU has encumbered \$8.7 million for engineering and preparation of the EIS to position the project for construction. KPU is proposing the 40% Four Dam Pool allocation be used for bond funding which would meet most of the remaining shortfall.

STATUS:

Final design of this project is complete. The Final EIS is complete. Construction permit applications have been filed. In summary, this project is ready for construction.

KETCHIKAN ELECTRICAL DEMAND

Following the closure of the Ketchikan Pulp Mill, the City of Ketchikan contracted with the University of Alaska's Institute of Social and Economic Research (ISER) to conduct an Electric Load Growth Study. This study predicted a few years of decreased demand followed by a return to normal but conservative growth.

In spite of this prediction, actual demand is at a record high with the 1998 generation exceeding the ISER high forecast for the year 2002.

Electrical Generation (million's kWh)			
Year	ISER Base Forecast	ISER High Forecast	Actual
1995	-	-	160
1996	-	-	160
1997	146	146	150
1998	146	148	164
1999	146	149	*
2000	147	153	-
2001	149	158	-
2002	152	163	-

* While it is too early to predict total 1999 generation, the first quarter 1999 is at a record high.

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

KETCHIKAN ELECTRICAL DEMAND

Following the closure of the Ketchikan Pulp Mill, the City of Ketchikan contracted with the University of Alaska's Institute of Social and Economic Research (ISER) to conduct an Electric Load Growth Study. This study predicted a few years of decreased demand followed by a return to normal but conservative growth.

In spite of this prediction, actual demand is at a record high with the 1998 generation exceeding the ISER high forecast for the year 2002.

Electrical Generation (million's kWh)			
Year	ISER Base Forecast	ISER High Forecast	Actual
1995	-	-	160
1996	-	-	160
1997	146	146	150
1998	146	148	164
1999	146	149	*
2000	147	153	-
2001	149	158	-
2002	152	163	-

* While it is too early to predict total 1999 generation, the first quarter 1999 is at a record high.

SB

182

Alaska State Legislature

Chairman,
Judiciary Committee

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922



50 Front Street
Suite 203
Ketchikan, Alaska 99901
(907) 225-8088
Fax: (907) 225-0713

Senator Robin L. Taylor

April 11, 2000

Senator Tim Kelly, Chair
Senate Community & Regional Affairs Committee
State Capitol, Room 101
Juneau, Alaska 99801-1182

Dear Senator Kelly: *Taylor*

Please accept this letter as a request for the Senate Community and Regional Affairs committee to hear Sponsor Substitute for Senate Bill 182, "An Act establishing a power cost equalization endowment; and providing for an effective date."

SB 182 will mark the beginning of a stable source of funding for Alaska's Rural Communities. It will eventually eliminate the annual wrestling match over how much we in the Legislature can afford. It will mean that rural residents will not have to worry about where the money is coming from to help offset electric costs that can be as high as 40 cents a kilowatt hour.

Attached you will find a copy of the Bill, Sponsor Statement and other supporting information. Thank you for your considering and scheduling SB 182 as soon as possible. If you have any questions, please feel free to contact Jim Pound or I.I.E.

Sincerely:

Robin L. Taylor
Robin L. Taylor
Senator, Dist. A

Attachments

RLT/jp

These schedule as soon as possible is real across time is of the essence. RT

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

Alaska State Legislature

Chairman,
Judiciary Committee
Administrative Regulations
Revenue Committee

Vice Chairman,
Resources Committee



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3873
Fax: (907) 465-3922

50 Front Street
Suite 203
Ketchikan, Alaska 99901
(907) 225-8088
Fax: (907) 225-0713

Senator Robin L. Taylor

Sponsor Statement SB 182

“An Act establishing a power cost equalization endowment; and providing for an effective date.”

Every year the Alaska Legislature is required to spend time dealing with a very difficult issue, Power Cost Equalization for rural areas. How to fund this difference in the cost of electrical power becomes even more of a concern based on today's economic problems. Efforts by the legislature to tighten the purse strings will not end with the conclusion of our first five year plan.

Senate Bill 182 addresses this concern and provides an option that lawmakers, must now consider. The bill creates a Power Cost Equalization endowment. Simply put future funding for the Power Cost equalization will be place into a separate trust, managed by the Alaska Permanent Fund Corporation. Based on the corporations performance, eventually Power Cost Equalization could be fully funded by the interest earned. In the short term interest could off-set the costs involved.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

Support
Re: PCE



ARECA
Alaska's Electric Association
"Electric Service for 556,000 Alaskans"

April 4, 2000

The Honorable Robin Taylor
Alaska State Legislature
State Capitol, Room 30
Juneau, AK 99801-1182

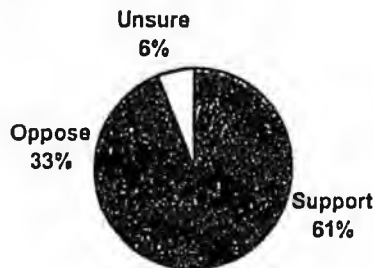
RECEIVED
APR 6 2000
Ans'd.....

Dear Senator Taylor:

Power Cost Equalization (PCE) and affordable electricity is of vital importance to rural Alaska. Over 76,000 residents in 190 communities receive some assistance with high electric bills through PCE. Community facilities in rural areas such as water and sanitation systems, street and airport lights, public safety and clinics also depend on PCE to make power more affordable.

There is obviously a high level of support for PCE in rural Alaska but ARECA felt it was important to gauge the level of support for PCE in urban areas as well. We asked Dittman Research Corporation to conduct a survey asking urban Alaska voters how they feel about the state continuing to pay a portion of the cost of residential electric bills in rural areas of the state. The poll, taken in mid-March, was designed to survey only urban Alaskans so as not to skew the outcome with respondents who receive benefit from the program.

The results were telling. Well over half (61 %) of the urban Alaskans polled said they support the continuation of the PCE program.



Of the 33% opposed, 11% would change their opinion with more information.

Attached is the survey report from Dittman Research that explains the methodology and gives a breakdown of the demographics of those who responded to the question. We think the results show a high level of support, well over a majority of urban Alaskans, for continuing to make power affordable in rural Alaska. We hope this information will be useful for you as you consider the solutions for funding PCE.

Sincerely,

Eric Yould
Executive Director

enc

703 W. Tudor Rd., #200 Anchorage, Alaska 99503-6650
(907) 561-6103 • FAX (907) 561-5547
www.areca.org

**PCE Program
Research**

March 2000

Prepared for:

**Alaska Rural Electric
Cooperative Association**

TABLE OF CONTENTS

PAGE

Methodology 1

Findings..... 2 - 3

Crosstabulations

METHODOLOGY

METHODOLOGY

Overview

During the period March 14 through March 19, 2000, five hundred six (n=506) Alaskans over the age of 18 – located in Anchorage, Fairbanks, Juneau, Wasilla/Palmer, and Kenai – were personally contacted via telephone by professional interviewing employees of the Dittman Research Corporation of Alaska. The views and opinions of the Alaska residents were recorded on a strictly confidential basis.

Research Design

A random sample design was featured which provided that all households listed in the most current telephone directory for each community had essentially an equal chance of being interviewed.

Sample Selection

Individual respondents were randomly selected from current telephone subscribers listed in the most current directory for each community.

Processing the Data

Dittman Research employees completed coding, editing, data entry and verification, while data processing was completed through the in-house Dittman Research Corporation computer system featuring the Statistical Package for the Social Sciences (SPSS) program. The SPSS program is one of the most sophisticated research-oriented data processing and analytical systems available, and is designed specifically for the processing and analysis of survey research data.

Measurement History



Citizen opinion measurements by the Dittman Research Corporation, utilizing the previously described methodology, analytical procedures and data processing systems, have proven to be virtually perfect predictors of political election results in Alaska for the past thirty-one years.

FINDINGS

FINDINGS

Overall, well over half of Alaskan residents in urban areas (61%) say they support the continuation of the Power Cost Equalization Program to help electric consumers in expensive areas of the state receive financial assistance for part of their electric utility costs...


"The State of Alaska has a Power Cost Equalization Program – or PCE program – which helps rural electric consumers in high-cost areas of the state by paying part of their electricity costs. The goal of the PCE program is to provide economic assistance to customers in rural parts of Alaska, where the cost of electricity is 3 - 5 times higher than in urban areas of the state. How do you feel about this program – do you support or oppose the state continuing to pay a portion of the cost of residential electric bills in rural areas of the state? And is that strongly (support/oppose) or just somewhat?"

61%		28%	Strongly support
		33%	Somewhat support
33%		17%	Somewhat oppose
		16%	Strongly oppose
		6%	Unsure

...and among those who say they oppose the continuation of the PCE program (33%), nearly one out of eight (11%) say they would change their opinion if they knew up to half of the rural area electric utilities would go out of business without the program...

(Asked of those who oppose the PCE program – 33%)

"Would your opinion change if you knew that up to half of the rural electric utilities currently operating wouldn't be able to afford to provide electricity to those areas without the PCE program?"



No, opinion wouldn't change	81%
Yes, opinion would change	11%
Unsure	8%

So in total, urban area support for continued state contribution to the PCE program could be as high as approximately 65%, as follows:

Initial support	61.0%
Informed support	<u>3.6%</u>
	64.6%

Calculated as follows:

33%	initially opposed
11%	would change mind when aware of effect of discontinuation

$33 \times .11 = 3.63\%$

CROSSTABULATIONS

HOW DO YOU FEEL ABOUT THE PCE PROGRAM - DO YOU SUPPORT OR OPPOSE THE STATE CONTINUING TO PAY A PORTION OF THE COST OF RESIDENTIAL ELECTRIC BILLS IN RURAL AREAS OF THE STATE? AND IS THAT STRONGLY OR SOMEWHAT?

DEMOGRAPHICS	UNSURE	STRONGLY SUPPORT	SOMEWHAT SUPPORT	SOMEWHAT OPPOSE	STRONGLY OPPOSE	BASE
TOTAL.....	6%	28%	33%	17%	16%	100.0%
LOCATION						
MAT VALLEY.....	9%	22%	31%	13%	24%	3.9%
FAIRBANKS.....	6%	24%	42%	17%	12%	9.1%
KENAI PENINSULA..	5%	34%	25%	21%	14%	6.9%
ANCHORAGE.....	6%	28%	31%	19%	16%	70.9%
JUNEAU.....	4%	34%	46%	5%	11%	9.1%
GENDER						
MALE.....	5%	28%	30%	18%	19%	45.0%
FEMALE.....	6%	28%	35%	17%	13%	55.0%
AGE						
19 - 29 YRS.....	3%	29%	33%	20%	8%	10.9%
30 - 44 YRS.....	9%	29%	34%	12%	16%	39.2%
45 - 59 YRS.....	1%	31%	31%	21%	16%	34.3%
60+ YRS.....	6%	23%	34%	19%	17%	16.7%
REGISTRATION						
DEMOCRAT.....	0%	42%	39%	12%	8%	16.4%
REPUBLICAN.....	7%	22%	29%	21%	22%	29.7%
NON-PARTISAN....	5%	31%	34%	15%	15%	41.1%
OTHER.....	11%	20%	12%	24%	13%	6.3%
NOT REGISTERED...	14%	18%	33%	21%	14%	6.5%
EMPLOYER						
FEDERAL.....	9%	25%	32%	16%	18%	6.8%
STATE.....	0%	32%	35%	5%	28%	9.0%
LOCAL.....	0%	31%	41%	20%	8%	4.9%
PRIVATE COMPANY..	5%	30%	31%	19%	14%	53.2%
NOT IN WORKFORCE.	8%	24%	35%	18%	16%	27.0%
TIME IN ALASKA						
UNDER 1 YR.....	0%	37%	63%	0%	0%	.7%
1 - 4 YRS.....	8%	26%	30%	16%	19%	7.7%
5 - 9 YRS.....	6%	32%	35%	17%	11%	11.6%
10 - 14 YRS.....	5%	34%	31%	10%	20%	10.0%
15+ YRS.....	5%	27%	33%	19%	16%	70.0%

(asked of n=160 who oppose the PCE program)
 WOULD YOUR OPINION CHANGE IF YOU KNEW THAT UP TO 1/2 OF THE RURAL ELECTRIC
 UTILITIES CURRENTLY OPERATING WOULDN'T BE ABLE TO AFFORD TO PROVIDE
 ELECTRICITY TO THOSE AREAS WITHOUT THE PCE PROGRAM?

DEMOGRAPHICS	UNSURE	YES, WOULD CHANGE	NO, NOT CHANGE	BASE
TOTAL.....	8%	11%	81%	100.0%
LOCATION				
MAT VALLEY.....	10%	10%	80%	4.4%
FAIRBANKS.....	12%	19%	69%	8.0%
KENAI PENINSULA..	5%	10%	85%	7.5%
ANCHORAGE.....	7%	11%	82%	75.6%
JUNEAU.....	17%	8%	75%	4.5%
GENDER				
MALE.....	7%	8%	85%	49.9%
FEMALE.....	3%	14%	76%	50.2%
AGE				
18 - 29 YRS.....	6%	19%	74%	9.5%
30 - 44 YRS.....	14%	12%	74%	33.3%
45 - 59 YRS.....	5%	10%	86%	38.8%
60+ YRS.....	5%	10%	85%	39.4%
REGISTRATION				
DEMOCRAT.....	7%	24%	69%	9.9%
REPUBLICAN.....	4%	8%	88%	38.5%
NON-PARTISAN....	13%	8%	78%	37.6%
OTHER.....	13%	26%	61%	7.1%
NOT REGISTERED...	0%	14%	86%	6.8%
EMPLOYER				
FEDERAL.....	13%	17%	70%	7.1%
STATE.....	0%	0%	100%	3.0%
LOCAL.....	0%	22%	78%	4.1%
PRIVATE COMPANY..	13%	12%	76%	53.3%
NOT IN WORKFORCE.	1%	11%	88%	27.5%
TIME IN ALASKA				
1 - 4 YRS.....	26%	0%	74%	8.4%
5 - 9 YRS.....	0%	19%	81%	9.6%
10 - 14 YRS.....	16%	14%	70%	9.2%
15+ YRS.....	6%	11%	83%	72.9%

POWER COST

PCE

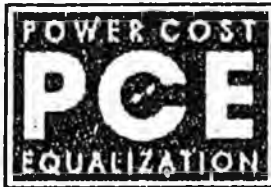
EQUALIZATION

Electricity Powers Healthy Communities

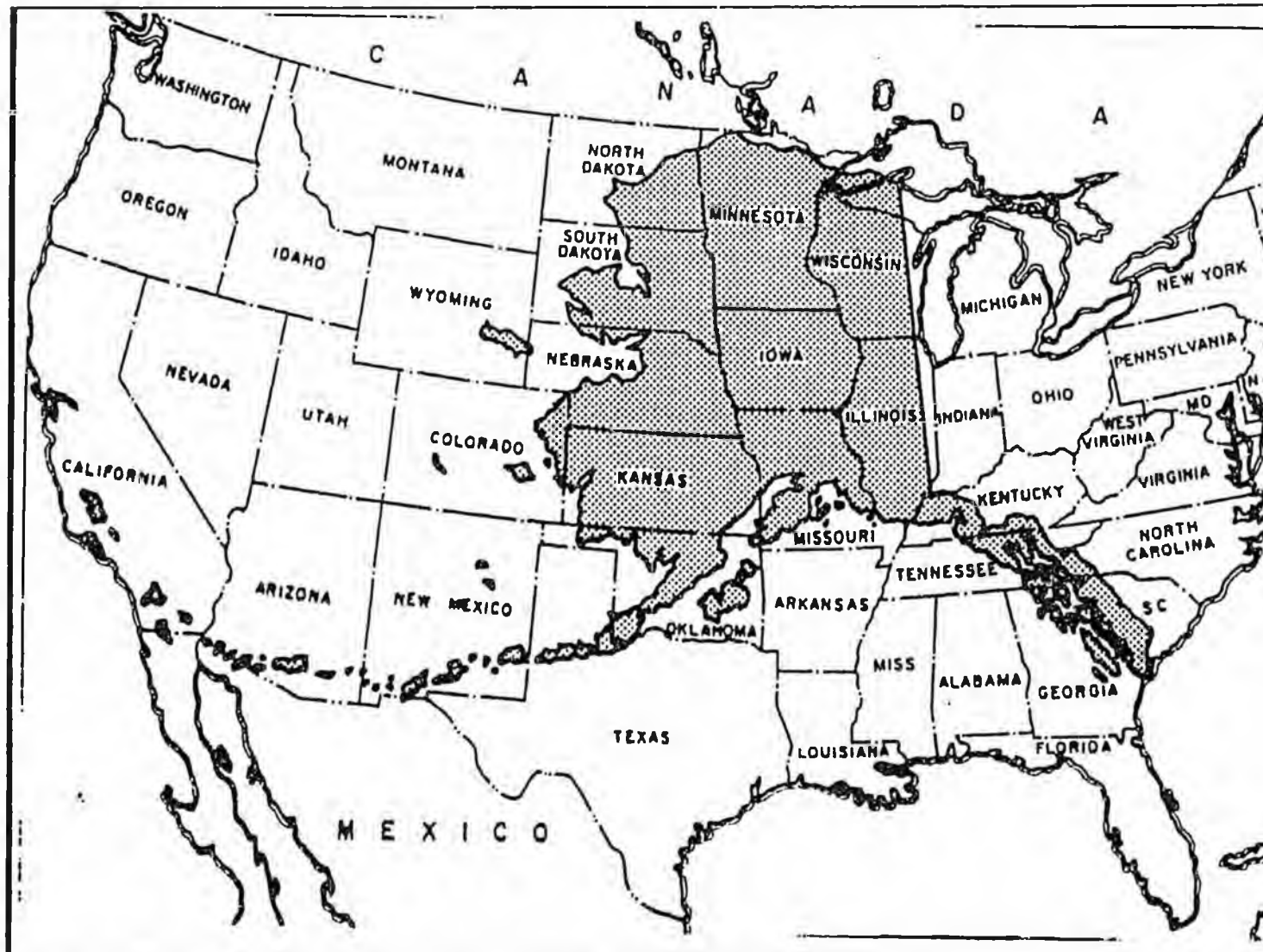
House Special Committee on Utility Restructuring

February 9, 2000

Presented by
Eric Yould, Executive Director
ARECA

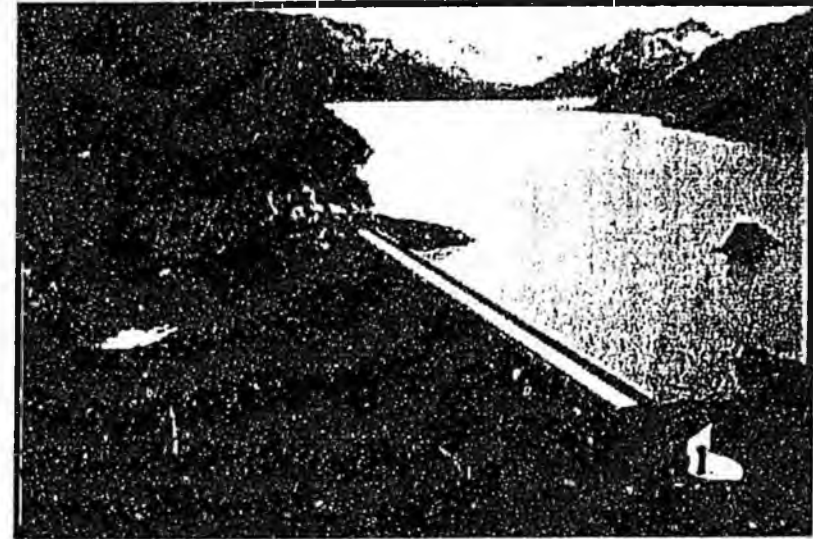


Alaska's Energy Infrastructure





History of PCE



- ◆ The Energy Program for Alaska
- ◆ 1980-Interim measure: Power Production Cost Assistance Program
- ◆ 1984-Power Cost Equalization Program
- ◆ 1993-Long-term commitment through 2013
- ◆ 1999-Encourage conservation (SB 157)

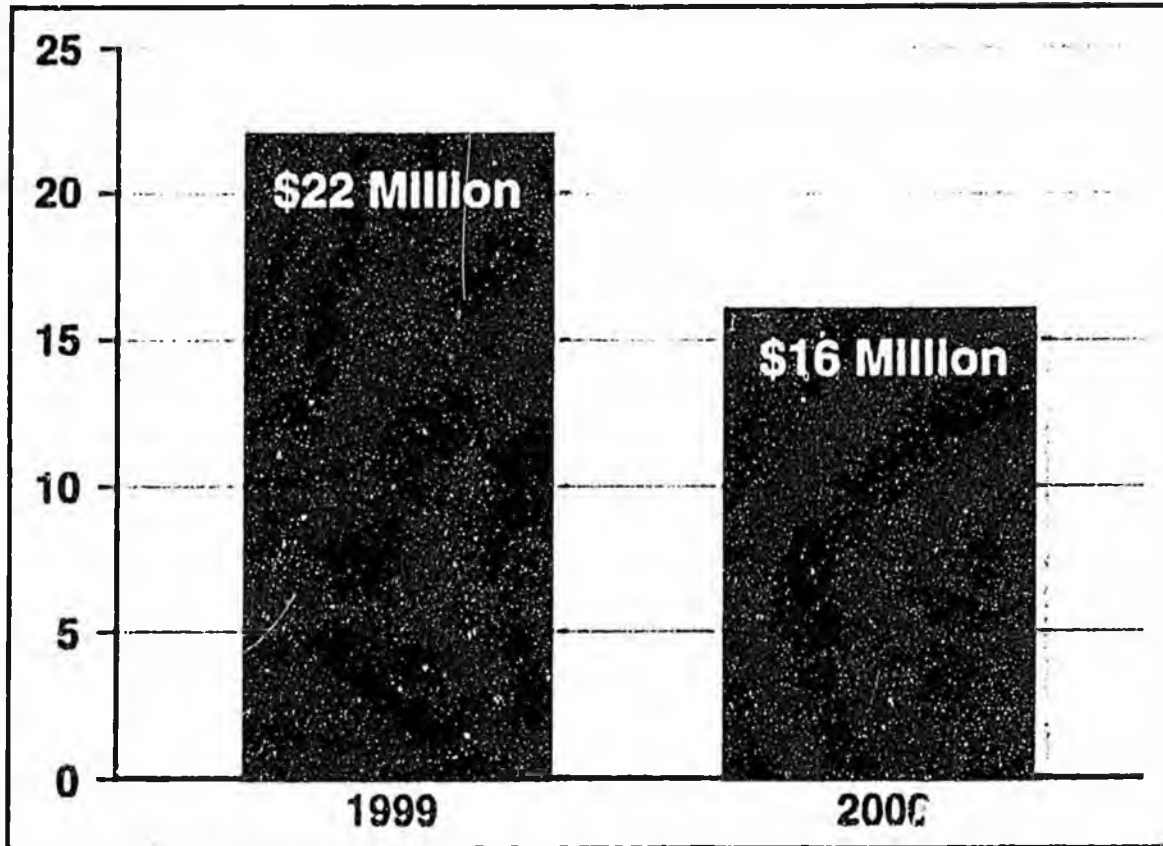


1999 Legislative Changes to PCE

- ◆ Raised the “floor” (target rate for equalization) from 9.5 cents to 12 cents
- ◆ Eligible level of usage reduced from 700 kWh/month to 500 kWh/per month
- ◆ Commercial consumers and schools dropped from the program
- ◆ Identified funding sources
 - National Petroleum Reserve-Alaska (NPR-A) lease revenues
 - 60 percent of Four Dam Pool Revenues



Reduced Cost to State for FY 2000



◆ **Result:** More than \$6 million in savings to the state



Cost of Power (Per Kilowatt Hour)

- ◆ **Urban Alaska: 9.5 cents**
- ◆ **PCE Communities: 42 cents**



Sample Rates (Per Kilowatt Hour)

◆ Alakanuk	42 cents
◆ Akiachak	50 cents
◆ Dillingham	22 cents
◆ Noatak	55 cents
◆ Nome	20 cents
◆ Anchorage	9 cents



Cost of Power With PCE

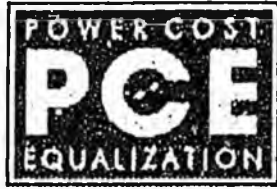
- ◆ **Urban Alaska: 9.5 cents/kWh**
- ◆ **PCE Communities: 21 cents/kWh**
- **Some PCE communities pay over 40 cents per kWh even with PCE.**



Strong Incentive to Conserve

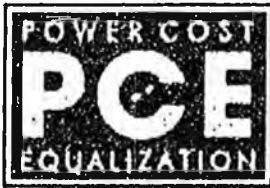


- ◆ Urban 688 kwh/month
- ◆ Rural 326 kwh/month



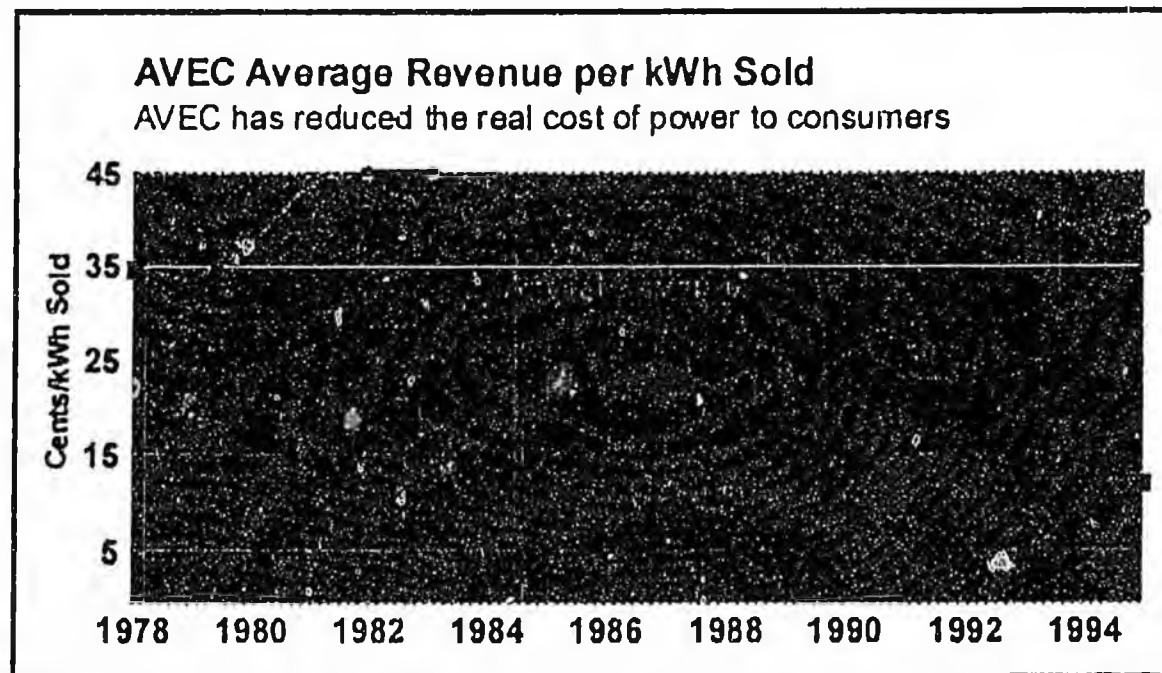
Rural Families Can't Afford Full Cost

- ◆ **Typical household income half of urban income**
- ◆ **18 percent of families below poverty line**
- ◆ **Majority of elders on fixed incomes**



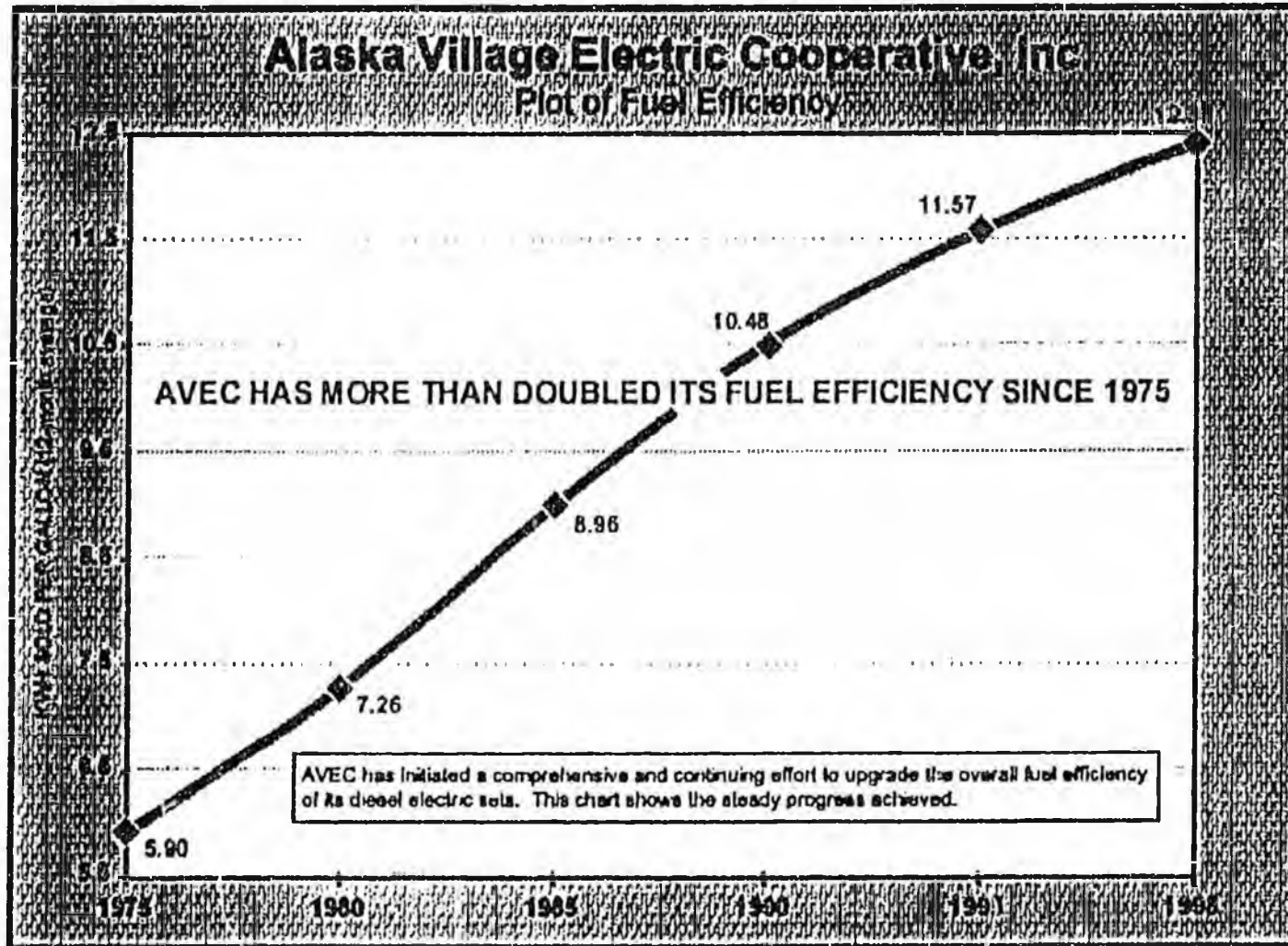
Real Costs Have Decreased

- ◆ Operating costs have dropped 30% when inflation is considered
- ◆ AVEC (serving 51 villages) has decreased rates by more than 50%





AVEC & Others Improving Diesel Efficiency





Utilities are Aggressively Seeking Alternatives

- ◆ Wind energy
- ◆ Microturbines
- ◆ Fuel cells
- ◆ Shallow natural gas
- ◆ Hydroelectric alternatives to diesel
- ◆ Alternatives take time and money to develop into cost-effective tools
- ◆ In many communities, there is no good alternative to diesel



Capital Costs High for Alternatives

- ◆ Diesel Plant (with fuel storage) \$1,000 per kW
- ◆ Wind Plant (Wales) \$10,000 per kW
- ◆ Hydroelectric (Old Harbor) \$5,000 per kW
- ◆ Microturbines \$3,459 per kW
- ◆ Fuel Cells \$3,000-\$5,000 per kW



Affordable Power is Essential

- ◆ Economic Development = Needs Affordable Power
- ◆ Healthy Living = Needs Affordable Power
- ◆ Safety = Needs Affordable Power
- ◆ Jobs = Needs Affordable Power
- ◆ Education = Needs Affordable Power



ISER's Conclusions: If PCE Ends....

- ◆ “Death spiral” possible for smaller utilities (potential failure of half the PCE utilities)
- ◆ Both urban and rural communities lose. (\$4.9 million wages/210 jobs)
- ◆ State becomes emergency provider of power/costs go up.
- ◆ Rural consumers' bills will double.



The Goal:

Long-term funding for PCE



*"A Commitment to Affordable
Electric Service for a Healthy
Rural Alaska"*

SB

213

Thank you Mr. Chairman and Members of the Committee

Let me first state, up front, that the Alaska Marine Highway System supports the legislature's efforts to allow Alaska state military personnel to travel on the AMHS. We are happy to be a part of ensuring Alaska's forces are being properly trained and ready for emergency deployment.

However, there are issues regarding revenue generation and operations that the committee ought to be aware of prior to the passage of this bill, so that all parties involved have the same understanding and expectations of how the new law would impact the AMHS and would be implemented.

Since revenues are always of paramount concern to the Alaska Marine Highway System, our concern is first that the current travel being paid for by federal funds will now be lost to the State of Alaska, second that this free travel does not occur on our most revenue generating runs and third that this new task does not become a burden for our operations. The AMHS would hope that this legislation would allow operations complimentary to what we already do.

To that end, our plans to implement this bill will include:

- **Defining Space Available** – Space available means just that. Space available on the same day of sailing. We will not take reservations in advance for this travel. And, we will not displace revenue paying passengers or vehicles.
- **Bumping** – Space available does not guarantee passage for the duration of a voyage if there is more than one link in the itinerary. Conceivably, a Sitka passenger sailing on Space Available passage to Skagway, could be bumped in Juneau, if fare paying customers are waiting to sail on stand-by in Juneau. This person would have to disembark and wait for the next sailing with space available to proceed.
- **Union Contracts** – Finally, our union contracts allow AMHS employees to sail on a space available basis at any time and have a limitation of vehicle size set at 23 feet. It is possible that a combination of AMHS employees and Alaska state military personnel will exceed the amount of space available. In that case, we will allow the passage on a first-come, first-served basis.
- **Travel Between Alaska Ports Only** – We recommend a change in the language in Sec 2. of the bill that adds “between Alaska ports only” immediately after “the Alaska Marine Highway System”.

Those are the issues that we wanted to make everyone aware of now. We would be happy to answer any questions. Thank you.

Briefing Notes
on
The Alaska State Defense Force

Background: The Alaska State Defense Force (ASDF) was established in February 1984, by The Alaska Department of Military and Veterans Affairs (DMVA) during a nationwide effort to standardize the missions of the several state militia and state guard units, thereby bringing them into the total force concept. The National Guard Bureau is the federal executive agency assigned the necessary coordinating functions. The Governor is the commander in chief and exercises his authority through the Adjutant General.

Mission: The ASDF is to maintain an organized trained military force to provide military assistance to Civil and military authorities in the preservation of life, property and public safety, including the following:

- a. Provide a State military formation for the deployment by the DMVA after federalization of the National Guard.
- b. Provide a force multiplier to various state agencies during state emergencies, natural disasters or civil events.

Organization: The ASDF is organized as a cadre pursuant to National Guard Regulation (NGR) 10-4 in the form of the **49th Civil Support Brigade**. At full Mobilization the brigade is approximately 1690 soldiers. The 15 percent cadre required by NGR 10-4 is approximately 254 soldiers. Current strength is approximately 246 soldiers.

Units: **Bde Hq.** (Anchorage), **Medical Det.** (Anchorage), **Aviation Det.** (Anchorage), **1st Bn.** (Juneau), **2nd Bn.** (Wasilla), **3rd Bn.** (Fairbanks), **4th Bn.** (Anchorage). **Coastal Command** is under development to be based in Anchorage.

Service: Brim Frost 88, Stand down 93/94, Kenai Flood 95, Miller's Reach Fire 96. Acutan Volcano 97, Shismerif Storm 97, and Western Alaska Fish Disaster.

Authority: 32 USC 109 (c), NGR 10-4, AR 670-1, Alaska Statute 26.05, ASDF PAM 10-1, ASDF PAM 350-1, ASDF PAM 672-1, ASDF Aviation SOP.

(Unclassified)

4 Feb 99

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SB213

Revision Date/Time (Note if correction) _____ Dept. Affected _____
 Title Military Transport ERU _____
 Component _____
 Sponsor Senator Tim Kelly _____
 Requester S (CRA) Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SB 213 provides for space available travel for designated military and para military personnel. Applying the transportation industry common practice of not displacing revenue passengers with space available passengers as provided for within the legislation, SB 213 will have a zero dollar impact on the Alaska Railroad Corporation.

Prepared by Jerry Anderson Phone 265-2518
 Division ARRC Date/Time 2/9/00 10:02 AM
 Approved by Commissioner _____ Date 02/09/2000
 Agency ARRC

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. SB 213

Revision Date/Time (Note if correction) _____ Dept. Affected DOT&PF
 Title "An Act relating to transportation of members BRU Marine Highway System
of the Alaska National Guard," Component Southeast Vessel Operations
 Sponsor Senator Kelly
 Requester Senate C&RA Component Serial No. 630

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES (AMHS fund)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
---------------------------------------	--------------	--------------	--------------	--------------	--------------	--------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY00) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by Dennis Poshard, Legislative Liaison Phone 465-3904
 Division Office of the Commissioner Date/Time 2/9/00 11:24 AM
 Approved by Commissioner *[Signature]* Date _____
 Agency Department of Transportation and Public Facilities

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

SB 213 "An Act relating to transportation of members of the Alaska National Guard,"
Department of Transportation and Public Facilities

This bill would provide free transportation, on a space available basis, aboard Alaska Marine Highway System (AMHS) vessels to members of the state militia while en route to or from drills, training, or other official activities.

Expenditure Impact

There would be some additional work at AMHS terminals for terminal staff to verify the military orders of those seeking free passage. Since the volume of travel is not anticipated to be that great, this additional workload is assumed not to be significant.

Revenue Impact

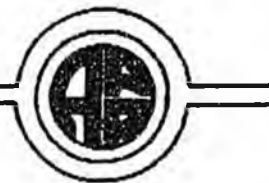
State militia travel aboard AMHS vessels currently generates approximately \$5,000 per year. The financial impact, therefore, would be a reduction in revenue of \$5,000 to the AMHS. With free travel, it is possible even more militia members would choose to travel on the ferry system. This could result in some lost revenue opportunities in the future.

Assumptions

1. Free travel is for militia members and vehicles only. This does not include cabins, food, or family member passage.
2. Passage is on a space available basis on the day of travel only. If the passage is through multiple ports, paying passengers/vehicles could "bump" the free passengers/vehicles.
3. Specific procedures for the free passage will be developed and incorporated into the AMHS traffic manual.

Alaska Railroad Corporation

P.O. Box 10-7500; Anchorage, AK. 99510-7500



February 9, 2000

To: Ben Brown Phone: Fax: 465-3756
From: Wendy Lindskoog Phone: 265-2498 Fax:
RE: SB 213 Pages: 3

Notes: Attached is the ARRC's testimony for SB 213. We will be faxing the fiscal note to Lillian at the Department of Community and Economic Development.

Thanks, Wendy Lindskoog

MEMBER

TENTH ALASKA LEGISLATURE
ELEVENTH ALASKA LEGISLATURE
TWELFTH ALASKA LEGISLATURE
THIRTEENTH ALASKA LEGISLATURE
FOURTEENTH ALASKA LEGISLATURE
FIFTEENTH ALASKA LEGISLATURE
SIXTEENTH ALASKA LEGISLATURE
EIGHTEENTH ALASKA LEGISLATURE
NINETEENTH ALASKA LEGISLATURE
TWENTIETH ALASKA LEGISLATURE
TWENTY-FIRST ALASKA LEGISLATURE

ALASKA STATE SENATE



SENATOR TIM KELLY

STATE CAPITOL
JUNEAU, ALASKA 99801-1182
(907) 465-3822
FAX (907) 465-3756
1-800-770-3822
(JANUARY - MAY)
INTERNET: //http://www.state.ak.us/

716 WEST 4TH, SUITE 400
ANCHORAGE, ALASKA 99501
(907) 258-8180
FAX (907) 258-4524

**SPONSOR STATEMENT
SB 213**

"An Act relating to transportation of members of the Alaska National Guard, the Alaska Naval Militia, and the Alaska State Defense Force by the Alaska marine highway system and the Alaska Railroad; and relating to the Alaska State Defense Force."

Senate Bill 213 will permit active members of the Alaska National Guard, the Alaska Naval Militia and the Alaska State Defense Force, where space available, free transportation on the Alaska marine highway system and the Alaska Railroad. This free status will be limited to traveling to and from drill, training, or other official militia activities.

This legislation would make it no different than allowing a particular governmental department moving a D-9 bulldozer or other state equipment from site to site, via the ferry or railroad system, than to permit active members of the National Guard, the Naval Militia and State Defense Force to travel free while conducting official military business.

The purpose of SB 213 is to provide a vehicle in which to get members of our volunteer defense forces to get to and from military training. In the present climate of downsizing and defense budget cuts, funding for transportation of members is constricted.

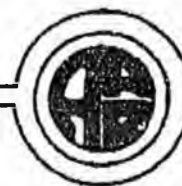
As the owner and operator of the passenger railroad and marine highway system, the State of Alaska is in the position to offer transportation for these military personnel, who are participating in training to defend our state and freedoms.

Senate Bill 213 would simply mandate the railroad and ferry system provide free transportation, on a space available basis, for the members of the above-referenced state defense organizations who are en route to or from drill, training, or other official militia activities.

The bill also makes a name change from "Alaska State Militia" to "Alaska State Defense Force" in several occurrences in statute.

Senates Bill 213 is a simple, straightforward document to assist our volunteer, citizen soldiers get to and from their training.

Alaska Railroad Corporation



Testimony

Senate Community and Regional Affairs
February 9, 2000

Senate Bill 213: By Senator Tim Kelly

For the record, my name is Wendy Lindskoog and I work for the Alaska Railroad Corporation (ARRC) as the Director of External Affairs.

Thank you Chairman Kelly and Community and Regional Affairs Committee members for giving us the opportunity to testify on Senate Bill 213.

The Alaska Railroad Corporation supports Senate Bill 213 which will provide free transportation on a space available basis to members of the Alaska National Guard, the Alaska Naval Militia and the Alaska State Defense Force while engaged in a military exercise.

Senate Bill 213 builds on our historic link to the military providing yet another way for the Alaska Railroad to support our armed forces.

As many of you know, Alaska Statute 42.40 defines the ARRC's mission as providing safe, economical, and efficient transportation to residents, businesses, visitors and military installations in the state.

Since its completion in 1923, the Alaska Railroad has shared a close relationship with the United States military playing a key role in our nation's defense. During the second world war, the Department of Defense assumed control of the Alaska Railroad. The Railroad provided the military a prime transportation corridor for moving troops and materials between two deep water ports of entry and the interior of Alaska.

This close link with the military greatly influenced the Alaska Railroad's destiny in the early 1980's when the United States Government decided to divest its ownership of the Railroad. At the time, none of the larger U.S. Railroads were interested in purchasing the assets of the rail line. As a result, Alaska's Railroad was in jeopardy of being dismantled.

The U.S. Department of Defense (DOD) worked with Congress and the U.S. Department of Transportation to change this course of action. DOD stood willing to assume ownership of the line to protect the important transportation corridor.

In the end, the State of Alaska assumed ownership of the rail line which today, continues to serve our military by moving supplies and equipment and in developing emergency response plans for times of crisis.

The Alaska Railroad exists today thanks to our military's vision and we are pleased to have the opportunity to give back to our armed forces through Senate Bill 213.

Having said that, we were asked to supply information regarding the bill's fiscal impact on the Railroad. There will be no financial impact to the Railroad as long as space available is interpreted as meaning "on the date of travel on regularly scheduled ARRC passenger service." Under this definition, military personnel would not be taking the place of revenue paying customers.

For the committee's reference, I have attached to this written testimony some background information regarding the Alaska Railroad's rates and ridership trends on various passenger routes.

Thanks again for the opportunity to testify on this bill. We are pleased to support Senate Bill 213 which furthers our ability to support Alaska's military personnel and operations.

###

ARRC Trends and Rates:

Many visitors make their Alaska itinerary arrangements well in advance. However, our daily Whittier and Seward trains are very popular as "last minute" activity additions for tourists and visiting friends and relatives alike. These routes tend to sell out frequently from mid-June through early September.

Much of our volume on the Denali Star (the daily Anchorage-Talkeetna-Denali-Fairbanks and the daily Fairbanks-Denali-Talkeetna-Anchorage) trains is booked well in advance and tends to be capacity constrained from mid-June through early September. There are, of course, many days throughout the summer when space is available on this popular service depending upon the travel patterns of our visitors.

Our 2000 rate schedule follows:

Denali Star - one-way rail fare, per person

Anchorage to Talkeetna - \$70 peak, \$58 value

Anchorage to Denali - \$120 peak, \$98 value

Anchorage to Fairbanks - \$160 peak, \$128 value

Talkeetna to Denali - \$50 peak, \$40 value

Talkeetna to Fairbanks - \$90 peak, \$72 value

Denali to Fairbanks - \$48 peak, \$38 value

*Peak season: June 3 - Sept. 4, 2000

*Value season: May 13 - June 2 and Sept. 5 - 23, 2000

Anchorage-Seward - rail fare, per person

Anchorage to Seward, round-trip - \$86

Seward to Girdwood, one-way - \$50

Anchorage to Seward one-way - \$50

* no peak or value season, same rate May 13 - Sept. 10, 2000

Anchorage - Whittier - rail fare, per person

Anchorage to Whittier round-trip - \$52

Anchorage to Whittier one-way - \$26

*no peak or value season, same rate May 13 - Sept. 10, 2000

Winter Service:

In the winter, (Sept. 25 - May 7), we operate a weekend train between Anchorage and Fairbanks leaving Anchorage on Saturday mornings, arriving in Fairbanks that evening, and leaving Fairbanks on Sunday mornings, arriving in Anchorage that evening. Our winter rates are:

Anchorage - Talkeetna, \$32

Talkeetna - Hurricane, \$20

Hurricane - Fairbanks, \$32

Anchorage - Fairbanks, \$84

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 29, 2000

SUBJECT: Sectional Summary of SB 213, An Act relating to transportation of members of the Alaska National Guard, the Alaska Naval Militia, and the Alaska State Defense Force by the Alaska marine highway system and the Alaska Railroad; and relating to the Alaska State Defense Force. (SB 213)

TO: Senator Tim Kelly
Attn: Ben Grenn

FROM: George Utermohle *GU*
Legislative Counsel

You have requested a sectional summary of SB 213, An Act relating to transportation of members of the Alaska National Guard, the Alaska Naval Militia, and the Alaska State Defense Force by the Alaska marine highway system and the Alaska Railroad; and relating to the Alaska State Defense Force.

A sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Sections 1, 3, and 4 of the bill make technical changes to AS 02.15.090(a), AS 26.05.010(b), and AS 26.05.030(d) to replace the term "Alaska State Militia" with "Alaska State Defense Force" in order to conform to a change in the name of the organization.

Section 2 of the bill adds a new provision to AS 19.65 in order to provide that the Alaska marine highway system shall provide free transportation, to the extent space is available, to a member of the Alaska National Guard, the Alaska Naval Militia, or the Alaska State Defense Force who is traveling to or from drill, training, or other official militia activities.

Section 5 of the bill adds a new provision to AS 42.40 in order to provide that the Alaska Railroad Corporation shall provide free transportation, to the extent space is available, to a member of the Alaska National Guard, the Alaska Naval Militia, or the Alaska State Defense Force who is traveling to or from drill, training, or other official militia activities.

GU:glc
00-042.glc

SB

227

SB 227 – Property Tax Relief Amendments

Included in this packet:

- Sponsor statement
- Sectional analysis
- Legal opinion on the legislature's ability to amend an initiative
- Legal opinion on SB 227's conditional effective date
- List of municipalities with property tax caps
- From "Alaska Taxable", historical summary of municipalities' mill rates 1997-1999
- Projected impact of property tax cap initiative on Municipality of Anchorage, prepared by Anchorage Office of Management and Budget
- AML position statement on the proposed initiative
- From "Alaska Legislative Digest", 3 articles on the proposed initiative
- AML resolution opposing the initiative
- City of Petersburg letter and resolution opposing the initiative
- *Juneau Empire* editorial against the initiative
- Copy of the proposed ballot initiative



SENATOR KIM ELTON

SB 227 - Property Tax Relief Amendments

Sponsor Statement

SB 227 is proposed in response to initiative petition 99PTAR, certified to the 2000 general election ballot, which caps municipal property taxes statewide. That initiative, if passed, replaces the current 30 mill or 3 percent limitation of levy with a 10 mill or 1 percent levy. In addition, it requires payments on bonded indebtedness to be included within the tax cap, and prohibits local property assessments from rising more than 2 percent annually.

Under article XI, section 6 of the state constitution, an initiative measure which is adopted may not be repealed by the legislature within two years of its effective date but may be amended at any time. SB 227 amends the proposed initiative 99PTAR by allowing a municipality to establish a different limitation levy, not to exceed 30 mills or 3 percent of assessed value.

- A general law municipality may establish a different limitation of levy by ordinance "approved by the voters";
- A home rule municipality may establish a different limitation of levy by including it in the municipality's home rule charter; such charter amendments require voter approval.

In addition, SB 227 exempts school bond debt from the tax cap.

SB 227 becomes effective only if the voters approve the tax cap initiative (99PTAR). A conditional effective date is not an uncommon legislative practice and is typically used when the substance of legislation is meaningful only in relation to another event—the passage of a companion bill, the repeal of a regulation, the adoption of a proposed state constitutional amendment, or some other event. For example, in 1978, a capital move proposal, the FRANK Initiative, (ch. 143, SLA 1978) was tied to passage of a bond issue for costs of relocation of the capital. When the bond issue failed, the Frank Initiative and companion statutes were automatically repealed.

SB 227 returns control of local taxation to local citizens and prevents a group of voters from proscribing the level of government taxation to be imposed and services to be provided in a community of which they are not residents.

In addition, SB 227 may prevent the likely fiscal devastation of local government services which will result from passage of the initiative. In the

ALASKA SENATE

STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX (907) 465-2108

SENATOR_KIM_ELTON@LEGIS.STATE.AK.US

municipality of Anchorage, for example, passage of the initiative would result in a 31.6% decrease in property tax revenue, a loss of \$82 million. If the loss in funding were shared between general government and schools, municipal services funded by property taxes would decline from \$145 million to approximately \$100 million and school funding would drop from \$114 million to about \$78 million. An extremely low tax cap could also cause Alaska municipal bonds to be downgraded, including revenue based municipal debt. SB 227 offers community residents an opportunity to reaffirm the level of property taxation levied upon them.

SB 227 – Property Tax Relief Amendment

Sectional Analysis

Section 1. Limitations of levy.

Adding a new subsection to AS 29.45.090

(e) Provides that the 10 mill or 1 percent property tax cap embodied in the ballot initiative does not apply in a municipality that establishes a different property tax cap; the new cap established by a municipality may not exceed 30 mills or 3 percent of assessed value.

All property taxed in a municipality must be levied at the same rate.

- (1) In a home rule municipality, a different limitation of levy shall be set by inclusion of a provision in the municipality's home rule charter; charter amendments require voter approval.
- (2) In a general law municipality, a property tax cap shall be set by ordinance approved by the voters.

Section 2. Limitations on taxes to pay bonds.

This section provides that payment of the principal and interest on bonds issued after January 1, 2001, must be included under the cap of 10 mills or 1 percent limitation of levy (a provision of ballot initiative 99PTAR), except for payments of the principal and interest on school bonds.

Section 3. Conditional effect.

This act takes effect only if the initiative known as 99PTAR is approved by the voters.

Section 4. Effective date.

This act takes effect on the effective date of the initiative identified as 99PTAR.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 26, 2000

SUBJECT: Basis for submission of a measure to amend Initiative 99PTAR, an initiative proposition relating to the assessment, levy, and collection of property taxes by home rule and general law municipalities (Work Order No. 21-LS1265\G)

TO: Senator Kim Elton

FROM: Jack Chenoweth
Assistant Revisor of Statutes



The measure proposes to amend AS 29.45.090 and 29.45.100. The provisions amended are themselves affected by Initiative 99PTAR, an initiative proposition relating to the assessment, levy, and collection of property taxes by home rule and general law municipalities. Press reports this morning indicate that the lieutenant governor will direct placement of the measure on the election ballot.

The measure to amend the initiative is based on language of article XI, section 6 of the state constitution:

Enactment. If a majority of the votes cast on the [initiative] proposition favor its adoption, the initiated measure is enacted. If a majority of the votes cast on the proposition favor the rejection of an act referred, it is rejected. The lieutenant governor shall certify the election returns. *An initiated law becomes effective ninety days after certification, is not subject to veto, and may not be repealed by the legislature within two years of its effective date. It may be amended at any time.* An act rejected by referendum is void thirty days after certification. Additional procedures for the initiative and referendum may be prescribed by law.

(Emphasis added.) The measure, predicated on the statement in article XI, section 6, that "[an initiated law] may be amended *at any time*," is drafted to take effect if the initiative is approved by a majority of the voters and to take effect on the date that the initiative takes effect as an initiated law, i.e. 90 days after certification of election results by the lieutenant governor. The measure's provisions do not take effect independently of, or in advance of, the taking effect of the initiative if the initiative is approved by the voters.

JBC:glc
00-032.glc

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 12, 2000

SUBJECT: Senate Bill 227: Making the taking effect of the bill conditional upon voter approval of an initiative and giving the bill's provisions an effective date that corresponds to the effective date of the approved initiative.

TO: Senator Kim Elton

FROM: Jack Chenoweth
Assistant Revisor of Statutes

You have asked me to address the propriety of making the taking effect of Senate Bill 227 conditional upon voter approval of an initiative, Initiative 99PTAR, the ten-mill property tax cap initiative, and giving the bill's provisions an effective date that corresponds to the effective date of the approved initiative.

Effective date of bill corresponding to effective date of initiative:

The matter of setting a bill's effective date is left to the legislature. Article II, section 18, Constitution of the State of Alaska. If an effective date other than the 90-day delayed effective date is sought, it must be adopted by a two-thirds vote of each house.

The state constitution authorizes use of initiatives. If approved by a majority of the votes cast on the question, an initiative becomes effective 90 days after the results of the election are certified by the lieutenant governor. The state constitution explicitly allows the legislature to amend the initiative "at any time." Article XI, section 6, Constitution of the State of Alaska. In a bill that, in part, modifies the text of a proposed initiative (to create an exception) and that, in part, adds a provision to a codified section that is being amended by a proposed initiative, having those changes take effect on a date that corresponds to the date that the initiative, if approved, is to take effect is fully consistent with authority given to the legislature under article II, section 18 and article XI, section 6.

Making the provisions of the bill conditionally effective:

The amendments proposed by Senate Bill 227 are to operate only in the context of the changes that are being made by the initiative if the initiative is approved. The amendments

are drafted to the initiative's changes¹⁷ and would serve no purpose if the initiative is not approved.

The Legislative Drafting Manual recognizes the use of conditional provisions in instances in which the coming into effect of one bill is related to another event--the passage of a companion bill, the adoption, amendment, or repeal of a regulation, the adoption of a proposed state constitutional amendment, the passage of federal legislation, the final decision in pending litigation, or some other identifiable event. *Manual of Legislative Drafting*, at p. 31. Making the taking effect of a bill (or part of a bill) contingent on, for example, the adoption of another bill has become almost routine in some matters.

In this instance, making the taking effect of Senate Bill 227 contingent on the adoption of other legislation, albeit a "bill" that becomes law based on compliance with the initiative process and a public vote, should not be regarded as an exceptional departure from current practice. The legislature has pegged the taking effect of a legislative Act to a public vote on another proposal in at least two very well-known instances. In the legislation (ch. 143, SLA 1978) proposing incorporation of the "Alaska Capital City Development Corporation" that would have acted to establish a new capital city in Southcentral Alaska, the measure's section 6 provided that

This Act takes effect 30 days after certification that a bond issue for costs of relocation of the capital has been adopted by the voters of the state.

At the November, 1978, general election, the voters rejected a bond issue for that purpose. In ch. 54, SLA 1981, by AS 44.06.196(j), enacted in sec. 1 of that Act,

If the ballot proposition provided for in this section is approved by a majority of the votes cast on the question, an amount equal to the estimate of total costs may be expended to complete relocation of the capital. If the ballot proposition is rejected by a majority of those voting on the proposition, the Capital Relocation Initiative (AS 44.06.100 - 44.66.190, the "FRANK Initiative" as amended (AS 44.06.195, 44.06.196), the laws establishing the New Capital Site Planning Commission (AS 44.06.200 - 44.06.299), and the Relocation Indemnification Act (AS 44.08) are repealed.

¹⁷ Recall that Senate Bill 227's bill section 1 adds a new subsection, subsection (e), to AS 29.45.090 to displace the 10-mill property cap limitation of AS 29.45.090(a) as re-enacted by the initiative, while Senate Bill 227's bill section 2, amending AS 29.45.100, makes a direct amendment to the text of sec. 2(3) of the language of the initiative to take tax levies for school bonded indebtedness out of the general rule that municipal bonds issued on or after January 1, 2001, are subject to the cap. Neither of the changes made in these bill sections makes sense without reference to the changes that would be wrought by the initiative.

Senator Kim Elton
February 12, 2000
Page 3

The ballot proposition was rejected and the specific laws and Acts enumerated in AS 44.06.196(j) were thereupon repealed.

Conditioning the taking effect of an enactment on approval of a related measure by public approval given in a public vote is not so exceptional or unusual that it should give rise to a successful legal challenge.

JBC:jdr
00-076.jdr

AMENDMENT

OFFERED IN THE SENATE

TO: SB 240

BY: Sen. Hoffman

Page 3, line 5, insert new subsection (f) as follows:

“(f) The department shall not assess nor collect administrative charges under this section from CDQ groups, representing communities not eligible for the CDQ program as of the effective date established in section 6 of this Act, for a period of two years from the actual award of fishery quota to that newly formed CDQ group.”

Re-letter subsequent subsections accordingly.

Municipalities with property tax caps

Anchorage: (a) prior year's tax revenue, plus
(b) CPI, plus
(c) taxes on new construction.

Fairbanks: same as Anchorage.

Juneau: 12 mills; bonds not included.

Kenai Borough: 8 mills; bonds not included.

Kodiak Borough: same as Anchorage plus

- Emergency expenses. plus
- Revenue for legal settlements and costs.
- Bonds not included.

Sitka: 6 mills; bonds not included.

Petersburg: 10 mills; bonds not included.

**HISTORICAL SUMMARY OF MUNICIPAL PROPERTY TAX RATES
(1997-1999)**

Mill levies are listed for the cities located within the municipality. The mill rates will not be listed for all service areas, however, a range of mill rates is presented for each municipality. For a specific service area mill rate, contact the local municipal assessment office. An assessment jurisdiction mailing list can be found at the end of this publication.

Municipality	1997	1998	1999
MUNICIPALITY OF ANCHORAGE			
(Unified Home Rule)			
General Government	2.09	2.07	2.11
Education	7.70	7.77	7.79
Fire	1.65	1.56	1.59
Roads/Drainage	3.44	3.52	3.28
Police	2.97	2.70	2.56
Parks & Recreation	0.78	0.85	0.82
Building Safety	0.01	0.01	0.01
TOTAL	18.67	18.53	18.16
Smallest mill rate reported	9.90		
Largest mill rate reported	18.18		
Total number of service areas reported	43		

BRISTOL BAY BOROUGH
(Second Class)

General Government	0.00*	0.00*	0.00*
Education	4.75	4.75	5.00
Solid Waste	1.50	1.50	1.00
Public Safety			2.25
Waste Water	1.00	1.00	1.00
TOTAL	7.25	7.25	10.25
Mill rate is areawide.			
* General government is funded through fish tax.			

FAIRBANKS NORTH STAR BOROUGH
(Second Class)

City of Fairbanks (Home Rule)			
School & Library Bonds	0.582	0.880	1.010
General Government (Boro)	4.311	4.064	5.170
General Government (City)	5.966	5.999	6.000
Education	8.497	8.831	8.3000
TOTAL	19.356	19.774	20.480
Smallest mill rate reported	16.1840		
Largest mill rate reported	30.1890	City of North Pole	17.968
Total number of service areas reported	131	Borough Levy	16.184

TABLE 5
continued

Municipality	1997	1998	1999
HAINES BOROUGH			
(Third class)			
City of Haines (First class)			
General Government	5.85	5.85	5.85
Education	4.50	4.50	4.50
Medical	-0-	-0-	-0-
TOTAL	10.35	10.33	10.35
Smallest mill rate reported	4.74		
Largest mill rate reported	6.60	Borough Levy	4.50
Total number of service areas reported	5		
CITY AND BOROUGH OF JUNEAU			
(Unified Home Rule)			
Education	5.20*	5.61*	5.61*
Fire	0.98	0.93	0.93
Police	5.71**	5.48**	5.48**
TOTAL	11.89	12.02	12.02
Smallest mill rate reported	6.12		
Largest mill rate reported	12.22		* includes schools, bond debt & general govt.
Total number of service areas reported	3		** includes Police, Transit, Streets & Parks
KENAI PENINSULA BOROUGH			
(Second Class)			
City of Kenai (Home Rule)			
General Government	3.50	3.50	3.50
Borough	8.30	8.00	8.00
Hospital	0.40	0.40	0.40
Kenai Peninsula College	0.08	0.08	0.10
TOTAL	12.28	11.98	12.00
Smallest mill rate reported	8.60	City of Seldovia	15.35
Largest mill rate reported	12.75	City of Homer	15.60
Total number of service areas reported	13	City of Seward	11.22
		City of Soldotna	12.90
		City of Kachemak	11.10
		Borough Levy	8.00

TABLE 5
continued

Municipality	1997	1998	1999
KETCHIKAN GATEWAY BOROUGH			
(Second Class)			
City of Ketchikan (Home Rule)			
General Government	0.57	0.57	0.62
Education	6.43	6.43	6.88
Police	1.43	1.43	1.43
Fire	1.07	1.07	1.07
Public Works	4.20	3.90	3.90
TOTAL	13.70	13.40	13.90
Smallest mill rate reported	7.50		
Largest mill rate reported	11.63	Borough Levy	8.43
Total number of service areas reported	14	City of Saxman	7.50
KODIAK ISLAND BOROUGH			
(Second Class)			
City of Kodiak (Home Rule)			
General Government	2.00	2.00	3.00
Borough/Education	9.25	9.25	8.25
TOTAL	11.25	11.25	11.25
Smallest mill rate reported	9.25		
Largest mill rate reported	12.50		
Total number of service areas reported	8	Borough Levy	9.25
MATANUSKA-SUSITNA BOROUGH			
(Second Class)			
City of Wasilla (First Class)			
Borough/Education	11.50	11.73	12.50
City	1.50	1.30	1.20
Fire	1.30	1.00	1.00
TOTAL	14.30	14.03	14.70
Smallest mill rate reported	12.50	City of Palmer	15.50
Largest mill rate reported	18.86	City of Houston	15.00
Total number of service areas reported	27	Borough Levy	12.50

**TABLE 5
continued**

Municipality	1997	1998	1999
--------------	------	------	------

NORTH SLOPE BOROUGH (Home Rule)**

General Government	2.77	2.66	2.42
Education	2.35	2.48	2.59
Debt Service	13.39	13.36	13.49
TOTAL	18.51	18.50	18.50

Mill levy is areawide

CITY & BOROUGH OF SITKA (Unified Home Rule)

General Government	3.00	3.00	3.00
Education	3.00	3.00	3.00
TOTAL	6.00	6.00	6.00

Mill levy is areawide

CITY & BOROUGH OF YAKUTAT (Home Rule)

General Government / Education	9.00	9.00	9.00
TOTAL	9.00	9.00	9.00

Mill levy is for road accessed property only
Property without road access is taxed at 6.0 mills

** See "Explanation of Millage Rates" on next page.

TABLE 5
continued

Municipality	1997	1998	1999
CITY OF CORDOVA (Home Rule)			
General Government/Education	14.48	14.48	14.00
TOTAL	14.48	14.48	14.00
Smallest mill rate reported	11.49		
Largest mill rate reported	11.49		
Total number of service areas reported	1		
CITY OF CRAIG (First Class)			
General Government	6.00	6.00	6.00
TOTAL	6.00	6.00	6.00
Mill rate is areawide			
CITY OF DILLINGHAM (First Class)			
General Government	8.00	8.00	8.00
TOTAL	8.00	8.00	8.00
Mill rate is areawide			
CITY OF EAGLE (Second Class)			
General Government	1.00	0.00	0.00
TOTAL	1.00	0.00	0.00
Mill rate is areawide. Note: There was no property tax levied for 1998.			
CITY OF NENANA (First Class)			
General Government	12.50	11.50	11.50
TOTAL	12.50	11.50	11.50
Mill rate is areawide			
CITY OF NOME (First Class)			
General Government	3.0622	3.9861	5.18
Education	9.6878	7.12398	6.82
TOTAL	12.75	11.11	12.00
Mill rate is areawide			

**TABLE 5
continued**

Municipality	1997	1998	1999
CITY OF PELICAN (First Class)			
General Government	6.00	6.00	6.00
TOTAL	6.00	6.00	6.00
Mill rate is areawide			
CITY OF PETERSBURG (Home Rule)			
General Government	10.00	10.00	10.00
TOTAL	10.00	10.00	10.00
City has three service areas, however all three have the same mill rates			
CITY OF SKAGWAY (First Class)			
General Government	7.00	7.00	8.80
TOTAL	7.00	7.00	8.80
Smallest mill rate reported	1.58		
Largest mill rate reported	8.80		
Total number of service areas reported	5		
CITY OF UNALASKA (First Class)			
General Government	11.78	11.78	11.78
TOTAL	11.78	11.78	11.78
Mill rate is areawide			
CITY OF VALDEZ (Home Rule)**			
General Government	14.7511	15.1830	14.940
Education	5.1640	4.8170	5.060
TOTAL	19.9151	20.0000	20.000
CITY OF WHITTIER (Second Class)			
General Government	5.00	5.00	5.00
TOTAL	5.00	5.00	5.00
Mill rate is areawide			
CITY OF WRANGELL (Home Rule)			
General Government	8.80	8.80	7.11
Education	1.20	1.20	1.89
TOTAL	10.00	10.00	9.00
Smallest mill rate reported	1.20		
Largest mill rate reported	12.00		
Total number of service areas reported	3		

**See "Explanation of Millage Rates" on next page

+

03/02/00 THU 15:58 FAX 907 343 4110

**PROJECTED IMPACT ON ANCHORAGE OF INITIATIVE PETITION
"AN ACT PROVIDING PROPERTY TAX AND ASSESSMENT RELIEF" (99PTAR)**

Anchorage 2000 Mill Rates

General Government based on November 1999 Assembly approved 2000 budget; School District based on District's proposed FY2000-2001 budget

	<u>Total</u>	<u>Estimated Debt Service</u>	<u>Total Excluding Debt Service</u>
General Government (Average)	9.82	(1.86)	7.96
Anchorage School District	8.09	(1.39)	6.70
	<u>17.91</u>	<u>(3.25)</u>	<u>14.66</u>

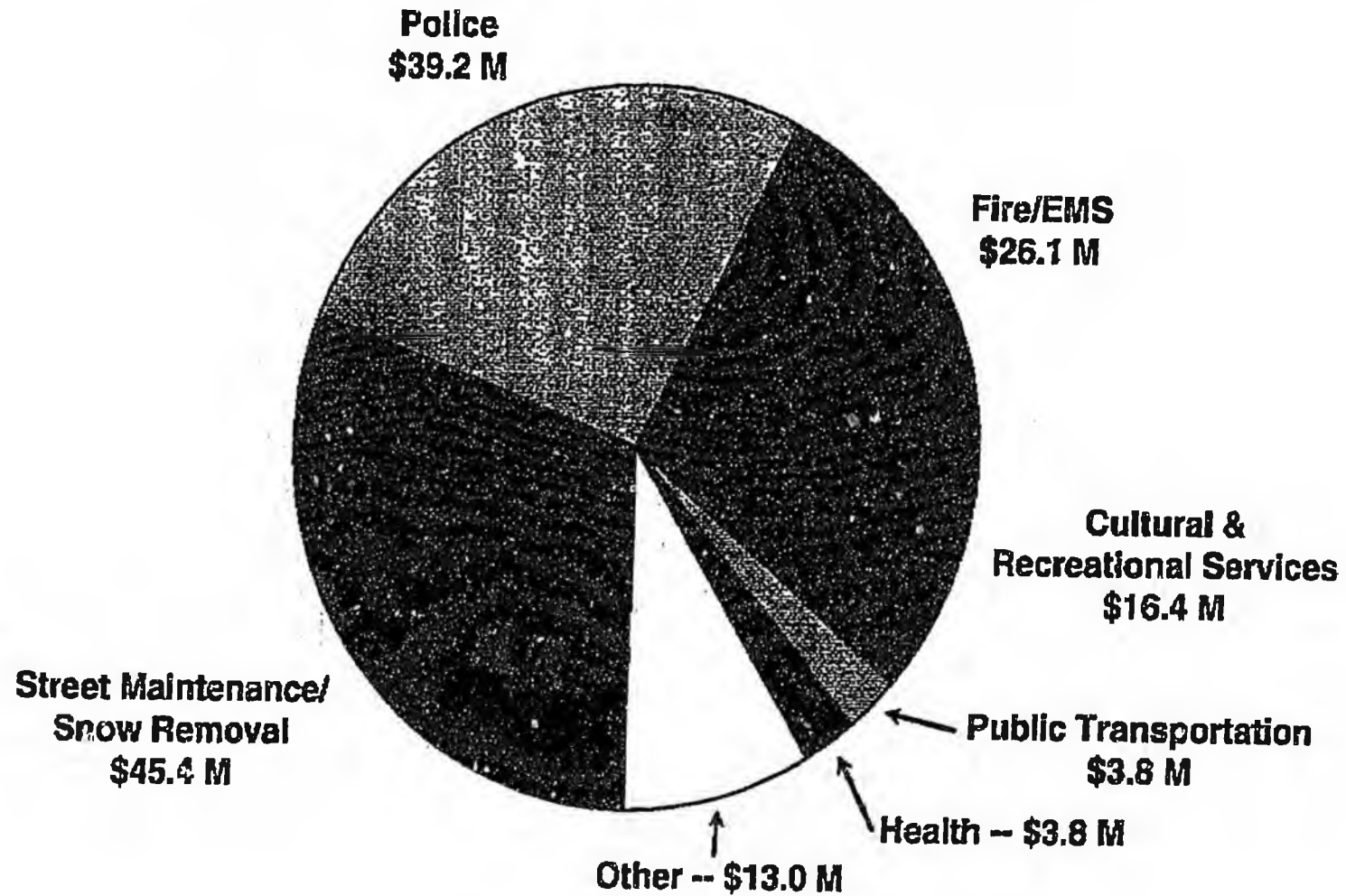
Impact of 99PTAR

Based on preliminary 2000 mill rates for illustrative purposes only. If 99PTAR is approved by the voters, it would not be effective until the 2001 mill rate.

If property tax reduction is allocated to General Government and the School District on the basis of their 2000 property taxes:

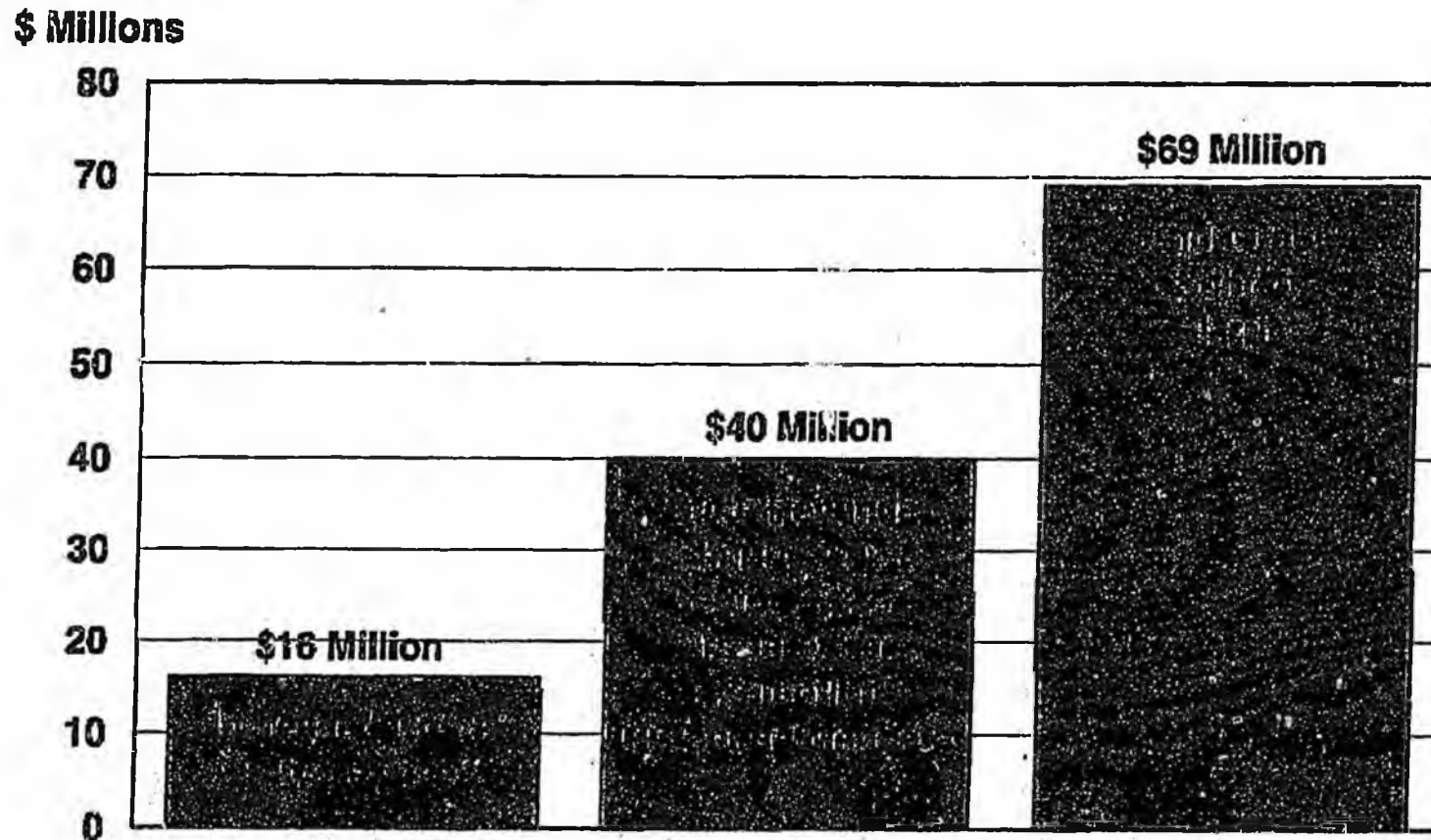
General Government	\$40 million
School District	\$33 million
	<u>\$73 million</u>

**2000 PROPERTY TAXES FOR CITY SERVICES
(\$ Million)**



TOTAL = \$147.7 Million

CAUSES OF ANCHORAGE PROPERTY TAX INCREASE (1990 - 2000)



TOTAL INCREASE DURING PAST DECADE: \$125 MILLION

*** Yet during this 10-year period . . .**

- **Population has increased by 17%,**
- **Population served by police has increased by 35%,**
- **We have added 91 more police officer positions,**
- **We have added 54 more firefighters/emergency medical positions,**
- **We are now maintaining 52 additional miles of Municipal roads, and**
- **Inflation has increased by 34%.**