

WAS CITY'S SALE OF ML&P TO CHUGACH ELECTRIC A GOOD IDEA?

BY TIM BRADNER

Back in December, a sale of Anchorage's city-owned Municipal Light & Power to Chugach Electric, the regional electric cooperative, is getting praise for its idea of consolidating the two large Southcentral utilities, but the way the deal was negotiated behind closed doors, and lack of information on other bidders, is now raising questions.

The agreement was announced last Thursday at a press conference. It will be taken to Anchorage's voters in the April 3 municipal election, Anchorage mayor Ethan Berkowitz said. The Regulatory Commission of Alaska must approve the acquisition as well as Anchorage voters.

"This proposal represents a great opportunity - it protects taxpayers and ratepayers. It helps secure Anchorage's fiscal and energy future," Berkowitz said in the announcement. This is important given the current fragility of the state's economy.

But Mary Ann Pease, an Anchorage-based business consultant

and former ML&P finance director who attended the Dec. 21 roll-out of the deal, is not happy about the deal. She is displeased over the way it was done and that it is being rushed to Anchorage voters for approval without an independent analysis.

"We can all commend the vision for bringing together the two utilities, an objective that has been looked at for decades, but it is the process I am questioning," Pease said in an interview.

The acquisition is being touted as a consolidation but that is inaccurate, she said.

"This is a sole-source acquisition of ML&P by Chugach Electric," she said.

As such, the process should have been more open and transparent. "Why not offer a competitive bidding process for the sale of the municipality's greatest asset?"

Done properly a consolidation would have wide benefits, "but I heard nothing (Dec. 21) to convince me that we have done anything properly, transparent or in the best interest of ML&P or resi-

dents of the community," Pease said.

Berkowitz said the agreement is structured so there will be no rate increases, at least in the near future, and no layoffs of employees at either utility. If there are workforce reductions they will occur over time by attrition. Recent rate increases by ML&P will remain, however.

Chugach will immediately pay the municipality \$170 million with another \$170 million paid over four years. Chugach will also make Payment-in-Lieu-of-Tax, or PILT, payments to the municipality, although those will replace revenues ML&P now provides to the city.

When all benefits to the municipality are combined the value of the transfer reaches \$1 billion, Berkowitz said. The mayor did not explain how that total was reached, however.

The sale will allow the municipality to pay off \$525 million in debt and invest additional funds into the city's trust fund. Continuing contributions from Chugach, un-

der the PILT, will help preserve Anchorage's tax cap.

Chugach CEO Lee Thibert said a combination of the two utilities will save hundreds of millions of dollars in the coming years through the consolidation of regulatory work, purchasing and administration and other efficiencies.

"With one Anchorage utility, it strengthens our position to address the underlying structural changes in our industry brought on by new technologies and distributed generation. We reduce duplication on many fronts. I haven't found anyone who doesn't think this is a good idea," he said.

Berkowitz said both utilities are facing declining demand for electricity due to energy efficiency technologies and other structural changes. Both ML&P and Chugach now own the most efficient natural gas generation plants in the state, the Southcentral Power Project owned by both utilities and ML&P's new Plant 2.