

Ray Kreig

From: agimarc@ak.net on behalf of Alex Gimarc [agimarc@ak.net]
Sent: Sunday, February 07, 2010 9:09 AM
To: Ray@kreig.com
Subject: FW: An Updated Soviet Style Utility - yet another response

Comments regarding GRETC FYI. Cheers –

- AG

From: Alex Gimarc [mailto:agimarc@ak.net]
Sent: Sunday, February 07, 2010 8:53 AM
To: 'frontierfoundation@gci.net'; 'Mark Newman'; 'Sen. Charlie Huggins'; 'Bill Stoltze'; 'Sen. Linda Menard'; 'Wes Keller'; 'Rep. Carl Gatto'
Subject: RE: An Updated Soviet Style Utility - yet another response

Penny, et all –

I will note for the record that my previous comments adequately answered your initial set of concerns – which is why you are back with a new set. I have taken the liberty to pass along your latest and greatest to Chugach staff for more detailed response. I will give an initial WAG, but more detailed answers may follow:

1. The intent of the last 4 administrations is for the Railbelt electric utilities to work together on new projects. They have enforced that intent with vetoes of Railbelt Energy funds dealt separately. Basically this section says nothing more than we have received and understood the message from the Governor's office. There is some method in the madness, as electrical generation is one of the few things that rely on economies of scale – bigger being better than smaller. Our problem here in the Railbelt is that we are very small as electric regions go, with existing generation between all 6 utilities totaling something smaller than a single mid-sized generation plant in the Lower 48. This section stops the perennial knife fight between the 6 utilities for state money during legislative sessions and funnels the majority (all?) Railbelt energy monies for new projects thru the new non-profit corporation where we all have to play nicely together.
2. It is my understanding that none of the electric utilities pay property taxes. They all pay a royalty payment to the state that is disbursed as the legislature sees fit. This is an answer that will possibly need a more accurate response and some additional research. On a conservative level, every penny a utility pays the state in taxes is a penny out of the pockets of its members / customers. High taxation and regulation are the two best ways to ensure high power costs for decades. The lower those taxes and the fewer regulations there are, the lower the electric prices paid by customers are. Remember that this new corporation is a non-profit and all taxation and regulatory costs will be passed on immediately to the members in terms of higher costs. And if our intention in doing this is to minimize those costs to the individual rate payers, it is incumbent on all involved to keep all those costs as low as humanly possible.
3. In financing, the intention is for the new corporation to create a financial management plan that will govern the financial actions of the non-profit. As we discussed earlier, the combined utilities here in the Railbelt can raise around \$1 billion individually. Unfortunately we have a \$5-10 billion problem to solve. The best way to get from here to where we need to go is to combine forces by creation of the new non-profit corporation and with the possible assistance of the state as a financial backstop (which will allow lower interest rates on those loans / bonds). It is something that was done with the Bradley Lake project on the Kenai. That one differed from this in that the state took out the loan and the member utilities are on the hook

for repaying those loans.

4. We have to have some sort of roadmap to get from our current situation to where we believe we need to be in a decade. That roadmap is the IRP. It is not a static document and will be revisited on a regular basis. Things that are not in the IRP are not impossible. They can be included as Independent Power Providers (IPP) that can hook into the system via power sales agreements. The problem with all of this is money, for with Fedzilla sucking all money out of the economy I am very concerned that anyone will be able to get financing for anything in the next few years. I am with you on coal, nukes and other forms of generation. Heck, I was one of the group that pushed for HB 191 which will remove provisions in state law against nuclear energy in the state. While I agree with you that coal is potentially one of the cheapest fuel sources around, given the current regulatory and legal hurdles at the federal level, nobody in the state will touch it – if for no other reason than we cannot trust that we would be able to bring it on line when necessary. Shoot, we can't even get coal out of the ground at Chikaloon, Chuitna or Beluga. You guys can't even get coal bed methane out of the ground in the MatSu. How can anyone possible plan on using something they will not be allowed to use? Barring substantial changes in federal law, this is not going to happen any time soon.
5. This is untrue, as the new non-profit will be required to do all the same reporting as the member utilities. You should be able to request anything necessary thru one of the member utilities. And if your local utility is a member and not cooperating, I would suggest that you get busy and elect a new Board. While all that is happening, you can make the request to Connie Owens at Chugach Electric or Jim Strandberg at Alaska Energy Authority.

Hope this helps out a bit. Thank you for the opportunity to address your new set of concerns. Standing by to respond accordingly to the next set. Please do not hesitate to contact me with any questions or comments. It is my intention to get this right and answer all concerns in the best manner I can. The cell phone number listed below works the best.

Required weasel word disclaimer: My comments are mine alone and do not represent the approved position of the Chugach Board of Directors. This means that while we have consistently been supportive of this process and have passed several resolutions of support, the entire Board has neither reviewed nor approved my commentary in this string of e-mails.

For the record, all the meetings of the Joint Task Force of Railbelt Boards of Directors have been open to the general public. We have been doing this for nearly 18 months. All have been taped. As an MEA type of guy, all those materials should be available thru your contacts at MEA. Our next meeting is scheduled for Tuesday Morning from 0830-1230 (or so) at Chugach Electric here in Anchorage. The meeting is open to the public. Come on in. The water is fine. Cheers –

- AG
Alex Gimarc
Secretary, Chugach Board of Directors
441-5343

From: frontierfoundation@gci.net [mailto:frontierfoundation@gci.net]

Sent: Friday, February 05, 2010 10:22 AM

To: Mark Newman; Sen. Charlie Huggins; Bill Stoltze; Sen. Linda Menard; Wes Keller; Rep. Carl Gatto

Subject: An Updated Soviet Style Utility

OK folks! Grab a cuppa whiskey, gargle loudly, and settle in for a rough ride. The Fasten Seat Belt sign is on!

About a week ago I was (verbally) taken to the woodshed and severely drubbed about the head and shoulders by Alex Gimarc, Chugach Electric Board Member and respected (by me at least) fighter pilot. Note that my original post was based on the publicly available text of the bill included in the original message. He advised me that the *REAL* HB 182 that the public hasn't yet seen is different. I've posted his comments below, with a sufficiently groveling refutation taken word for word the text of the *real* bill as amended (HB182 5A). ([Bill text in blue](#)) Although not clear in this amendment, I expect the

amendments here apply to the original which I cited in its entirety in my original text and below the signature block here. The bill's future course is unclear from the Legislature's website.

These things are clear:

A government established and funded monopoly is a political creature regardless of how selected. Ref: **(Sec 42.50.010)**: (GRETC) is "to be the primary recipient of state financial assistance provided to support the acquisition, construction or development of generation and transmission assets, and ancillary services and assets, for the public utility members of the corporation." Even a gentle dictatorship is still tyranny, and it never remains gentle. In the Governor's own words in her transmittal letter, "Under Section 8(a), the plan would have to include a phased commitment agreement that identifies commitments by the state, corporation, and utilities to enable the corporation to achieve its corporate purposes, and a *commitment by utilities to obtain electric power and transmission services from the corporation.*"

Private companies are placed at a disadvantage by not being exempt from taxes in this plan and not being the recipients of state financial aid. Ref: **(Sec. 42.50.190. Tax exemption.)** "The real and personal property of the corporation and the assets, income, and receipts of the corporation are exempt from all taxes and special assessments of the state or a political subdivision of the state, except that electricity sold at retail by the corporation is subject to the electric cooperative tax." **"Sec. 42.50.163. Financing Arrangements.** "(c) The corporation may obtain assistance from state agencies in financing projects through direct grants, debt guarantees, granting of a moral obligation of the state to ensure payment of debt instruments, purchase of issued debt instruments or other financial methods appropriate to the projects or tasks. " If the State gives GRETC a lifetime guarantee of no taxes, how is that different than giving the oil companies a 30 year guarantee of predictable taxes, which the state has so far refused to do? The Palin and Parnell administrations refused to do this, despite a rational economic case for it. I might be persuaded to support this if ALL private companies were allowed to operate under the same rules!

The fact that a government entity created an Integrated Resource Plan (IRP) does not make it the most cost effective solution, though I'd concede (without analysis) the current one might be at this time. Ref: **Sec. 42.50.120. Integrated resource plan.** "(a) The corporation shall adopt an integrated resource plan for the corporation to use in determining the need for, and selection of, electric generation and transmission projects to ensure delivery of safe, reliable, and sustainable electric power to Greater Railbelt electric utilities at the lowest feasible long-term cost. The corporation in adopting and updating the plan shall evaluate and consider recommendations made in any applicable state energy plan or state integrated resource plan. If the corporation deviates from these state recommendations, the adopted or updated integrated resource plan must include a report explaining the reasons for the deviation." By way of reference, witness the recent attempt by the MEA board to drop the cost estimates for coal fired energy production from their IRP despite it apparently being the most cost effective.

Finally, there is no more damaging effect to public trust than denying or delaying public access to records. Ref: **Sec. 42.50.210. Right to examine books and records.** "(a) Except as provided in (c) of this section, members and ratepayers may, at a reasonable time and for any proper purpose, examine and make copies of the books and records of the corporation at the principal office of the corporation." The "proper purpose" will, of course, be determined by politicians.

In my two year legal battle to get access to Borough records, the borough manager deliberately committed both federal and state felonies by destroying the one hard drive with the necessary information (his) well after my request, while simultaneously threatening to charge me \$5000 for the information and denying access in person as the law provided. The recent legal battle over access to Governor Palin's records are also instructive. In both instances, the records could have been made accessible by the public by a simple dragging of the files to a public directory with ten minutes of labor costs. ALL RECORDS OF A PUBLIC ENTITY THAT ARE NOT PRIVILEGED SHOULD BE OPEN TO THE PUBLIC. PERIOD. There is no other reason for the government to have internet and computers. They might as well type papers and put them in vaults.

I reiterate: There are many reasons to form a *private competitive regional* company to produce and transmit electric power. There are *none whatsoever* to form another monopolistic, Soviet style, politically controlled regional monstrosity. Americans fought corporate monopolies for decades; why would government monopolies be different? The Foundation is still implacably opposed to socialism, even in this seemingly gentle and widely used form. If this bulldogging of socialism is hysteria, I'll accept the accolade cheerfully from those who defend the constitution.

Penny –

From one cranky old fighter pilot to another: You are absolutely full of s____. (Gentle readers should not be alarmed; this is

a term of endearment among fighter pilots.)

And if you pop off like this to your mailing list and to the legislature, you bloody well better know what you are talking about – which you don't.

I want you to publish a sufficiently groveling retraction. If you refuse to do so, we can have it out in public on The Alaska Standard where I plan on publishing a response. I'll write the article this weekend. I also want you to send your retraction to your mail list. For further reading, I have published two articles on GRETC in the Alaska Standard last year. It would behoove you to read them before popping off next time.

On to your claims:

1. The CEO is hired by the GRETC Board. That Board is composed of 2 members from each member utilities – a Board member and the utility CEO. There will be one public member appointed by the Governor. That Board will hire the CEO.
2. There is no current requirement to transfer anything into the new Generation and Transmission (G&T) Corporation.
3. Definitions of sustainable power are infinitely malleable and fuzzy, throwaway language. The key provision here is the Integrated Resources Plan (IRP) that APA prepared and published last month. The IRP is the initial roadmap of new energy projects for the Railbelt and will be updated on a regular basis as the years go by.
4. If GRETC does not choose to follow the IRP which is the accepted, documented low-cost solution roadmap at this time, it needs to explain to its banker (the State of Alaska) why or why not. Why is this a problem? If you take a loan and change your mind, don't you think your banker would be interested?
5. There is also no long term fiscal certainty for GRETC. On the other hand, if the state provides a financial backstop for future large projects (think Susitna), then interest rates on those loans become very reasonable over the 50-year period they are written for. GRETC also becomes the primary conduit for state money into Railbelt energy projects, solving our historic problem of each utility bashing its sister utilities brains out for free money from the legislature. This is the first time we have agreed to work together this way, overcoming a generation or more of bad blood. Do not so blithely discount our progress here, as we have managed to put decades of "Hatfields and McCoys" food fights between the utilities to bed.
6. GRETC is chartered as a private non-profit. It is formed by and governed by up to 4 private corporations (co-ops) and up to two public entities (Seward and ML&P). Its workings and deliberations are open to its members and by definition, their members. Paying for information is a red herring, and bogus at best.
7. GRETC is being formed to solve a problem. None of the 6 existing electric utilities here in the Railbelt have the financial muscle to individually make the transition from a primary reliance on Cook Inlet natural gas to something else over the course of the next 10 years. One way to get that financial muscle is to join together, create a regional G&T with the State of Alaska as a fiscal backstop, and bond for those new large projects. As the new generation projects are started, they will enter into power sales agreements with the existing utilities for electricity produced. Existing power sales agreements are not part of the new corporation. Additionally the last 4 administrations have told us we need to work together for future energy projects. This is our solution. It is also the first step of many thousands of future steps over the course of the next decade.

This non-profit is modeled after Bonneville Electric in the Pacific Northwest, BC Hydro in BC, and the existing Bradley Lake model here on the Kenai, which has most of the utilities involved in construction, governance, and the State of Alaska as the banker. Setting up a regional G&T is as conservative a solution in the electric power industry as you can get.

Penny – your comments are uninformed, hysterical and foolish. You are also out of your element in your comments. The bummer of it is that you could have called any time an asked WTF0 and I would have filled you in. I have been in the center of setting this thing up for over 18 months, and I am more conservative than you. You have been reading my stuff for over a year and know that to be true. This meets our future needs and positions us to make the transition we need to make over the course of the next decade. There is nothing leftist in this at all.

You are wrong on this one and you need to correct your error. Sooner would be better than later, Dude. Call with questions or comments. Cheers–

- AG

Fraternally,
Penny Nixon, Chair
Last Frontier Foundation, Inc
PMB 385, PO Box 875910
Wasilla, AK 99687-5910
(907) 357-1747
frontierfoundation@gci.net
<http://thealaskastandard.com/?q=storiesbyauthor/Penny%20Nixon>

The Last Frontier Foundation is dedicated to provide educational and research services to citizen organizations to maintain the freedom of individuals under the Constitution of the United States. Contributions or gifts to the Last Frontier Foundation are tax deductible in accordance with IRS 501(c)(3) status.

HOUSE BILL NO. 182

"An Act establishing the Greater Railbelt Energy and Transmission Corporation and relating to the corporation; relating to exemption of the Greater Railbelt Energy and Transmission Corporation from regulation by the Regulatory Commission of Alaska; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Sec. 1. AS 42.05.711 is amended to add a new section to read:**

(q) a corporation established under as AS 42.50.010 is exempt from regulation under this chapter, including the requirement to obtain a certificate of public convenience and necessity under AS 42.05.221.

*** Sec. 2. AS 42 is amended by adding a new chapter to read:**

Chapter 50. Greater Railbelt Energy and Transmission Corporation.

Sec. 42.50.010. Greater Railbelt Energy and Transmission Corporation.

(a) The Greater Railbelt Energy and Transmission Corporation is established.

(b) The purpose of the corporation is to ensure adequate, reliable, safe, and stable wholesale electric power to public utility members on a non-discriminatory basis, at the lowest reasonable long-term cost; and to be the primary recipient of state financial assistance provided to support the acquisition, construction or development of generation and transmission assets, and ancillary services and assets, for the public utility members of the corporation. In furtherance of these purposes, the corporation may plan for, recommend, coordinate and otherwise address:

(1) the adequacy of fuel supply, fuel storage, and fuel transportation resources required to meet the short-term and long-term electric power needs of the service territory of the corporation; and

(2) the adequacy of generation and transmission assets to prudently meet, both locally and regionally, the short-term and long-term electric power and reliability needs of the areas electrically interconnected to the service territory of the corporation, including, but not limited to:

(i) generation reserves to meet planning and operational requirements;

(ii) base load generation in all parts of the greater Railbelt region service territory;

(iii) generation and transmission power dispatch resources availability and interconnection with the distribution dispatch resources of each public utility member so as to allow for real time communication and coordination of power and energy deliveries;

(iv) diversity in generation resources, including renewable energy based generation resources, to the maximum extent possible when doing so is consistent with the goal of providing electric generation and transmission

services at the lowest reasonable cost;

(v) integration of renewable energy generation resources into the areas electrically interconnected to the service territory of the in a manner that prevents adverse impacts on service quality or price.

(c) The corporation shall operate on a not for profit basis, offering its services based upon uniform rates for like services pursuant to standard tariffs or contractual arrangements.

(d) The corporation is exempt from the provisions of AS 10.15 (Alaska Cooperative Corporation Act), AS 10.20 (Alaska Nonprofit Corporation Act), and, except as provided under AS 42.50.190, AS 10.25 (Electric and Telephone Cooperative Act).

(e) The corporation has a separate and independent existence from the state. The corporation may not be considered the state, a state agency, an administrative unit of the executive branch of state government, a governmental unit of the state, a public corporation of the state, a municipal corporation, or a political subdivision of the state.

(f) The exercise by the corporation of the powers granted by this chapter is considered to be for a public purpose.

(g) The corporation is authorized to interconnect with, and provide services to, electric utilities other than public utility members on terms and conditions approved by the corporation's board of directors. The corporation may decline to interconnect with an electric utility or any other entity that fails to meet standards for interconnection adopted by the corporation.

Sec. 42.50.020. Board of directors. (a) The corporation shall be governed by a board of directors consisting of:

(1) two representatives from each public utility member; one representative director shall be the chief executive officer of each public utility member or the chief executive officer's designee, and the second representative director shall be an individual appointed by the governing body of each public utility member;

(2) one public director appointed by the governor from a list of at least three persons submitted by the directors described in (a)(1) of this section; if the governor rejects an entire list, the directors described in (a)(1) of this section must submit a new list that includes at least three persons who were not included on a previously rejected list. .

(b) The term of a director representing a public utility member under (a)(1) of this section expires when the public utility member notifies the board that the individual has been removed as a utility representative on the board.

(c) The term of the director appointed by the governor under (a)(2) of this section is four years. If a vacancy occurs, the governor shall appoint under (a)(2) of this section a public director to serve the remaining term of the director. The governor may reappoint to the board the director described in this subsection.

(d) The board may remove a director of the board for cause upon two-thirds majority vote of the full board. The bylaws must provide a mechanism for a greater Railbelt electric utility to appoint an alternative director if the chief executive officer of the utility is removed from the corporation board.

(e) A majority of the directors on the board constitutes a quorum for the transaction of business and the exercise of the powers and duties of the board.

(f) The directors on the board shall annually elect from among themselves a chair and vice-chair and other board officers as may be provided in the corporation's bylaws.

(g) The directors shall receive no salary, but the corporation may pay directors a meeting fee, per diem and travel expenses.

Sec. 42.50.030. Board meetings; exceptions. (a) A meeting of the board may be attended by members, ratepayers and the public. The bylaws of the corporation must provide for member and ratepayer participation at board meetings. Except when a voice vote is authorized, a vote shall be conducted in a manner that the members and ratepayers may know the vote of each director entitled to vote. The board may conduct a meeting by teleconference or similar communications equipment if the board gives reasonable notice of the meeting and if the members, ratepayers and the public are able to attend the meeting and hear the meeting. This section applies only to a meeting at which a quorum of the board participates.

(b) Before holding an executive session, the board must first be convened as a regular or special meeting. The board may hold an executive session to discuss matters that come within the exceptions contained in (c) of this section on a majority vote of the board. A subject may not be considered at the executive session except those mentioned in the motion calling for the executive session unless auxiliary to the main question. Formal action may not be taken during an executive session of the board.

(c) The following excepted subjects may be discussed in an executive session:

(1) matters the knowledge of which would clearly have an adverse effect on the finances of the corporation;

(2) subjects that tend to prejudice the reputation and character of a person; however, the person may request a public discussion;

(3) matters discussed with an attorney for the corporation, the knowledge of which could have an adverse effect on the legal position of the corporation;

(4) matters that by law are required to be confidential;

(5) matters pertaining to a plan, a program, or procedures for establishing, maintaining, or restoring security, or to a detailed description or evaluation of systems, facilities, or infrastructure in the corporation, but only to the extent that the discussion of the matter in open session

(A) could reasonably be expected to interfere with the implementation or enforcement of the security plan, program, or procedures;

(B) would disclose confidential guidelines for investigations or enforcement and the disclosure could reasonably be expected to risk circumvention of the law; or

(C) could reasonably be expected to endanger the life or physical safety of an individual or to present a real and substantial risk to the public health and welfare.

(d) Notice shall be given for all regular or special meetings of the board as provided in the bylaws of the corporation.

Sec. 42.50.040. Officers and employees. (a) The board shall designate a chief executive officer. The chief executive officer may not be a director on the board and serves at the pleasure of the board.

(b) The board shall appoint officers of the corporation as required by the corporation's bylaws and as the board determines to be necessary for the effective operations of the corporation. No employee of the corporation may be a director of the board.

(c) The chief executive officer may hire employees of the corporation as may be determined necessary for the efficient performance of the functions of the corporation. The board shall approve the range of compensation for employees. Employees of the corporation are not employees of the state and are not considered to be employees of a public organization for the purposes of AS 39.

Sec. 42.50.050. Membership. (a) The members of the corporation are the public utility members and other entities which purchase services from the corporation that the board of directors approves to become members. The corporation provides all member benefits solely to the members of the corporation.

(b) An entity meeting the qualifications to be a public utility member under this subsection shall become a public utility member of the corporation if approved by a two-thirds majority vote of all directors. A public utility member must:

(1) be a municipal or cooperative electric utility with an electric distribution service territory, holding a certificate of public convenience and necessity issued by the Regulatory Commission of Alaska;

(2) be electrically interconnected to the service territory of the corporation; and

(3) not be an affiliated electric utility.

(c) An affiliated electric utility may become a member of the corporation.

Sec. 42.50.060. Bylaws. The board shall adopt bylaws for the corporation for the governance and management of the affairs of the corporation, and may alter, amend, or repeal them. The bylaws shall be consistent with this chapter and other laws that apply to the corporation.

Sec. 42.50.070. Indemnification of directors, officers, and employees. The corporation shall indemnify directors, officers, and employees in a manner consistent with AS 10.06.490.

Sec. 42.50.100. General powers of the corporation. (a) The corporation may

(1) sue and be sued in its name;

(2) have perpetual existence;

(3) adopt a corporate seal and alter it;

(4) participate with federal, state, and local governmental entities in formulating and implementing electric power policy, and in planning for the development, construction, and operation of adequate electric power generation and transmission facilities, for the service territory of the corporation;

(5) accept by grant, sale, contract, operating agreement or any other arrangement, assets from members of the corporation or other public or private entities, persons or governments.

(6) engage in programs to support the efforts of the public utility members and affiliated electric utilities in order to enhance the development, efficiency, reliability, safety, and price stability of electric power in the service territory of the corporation;

(7) generate, manufacture, purchase, acquire, accumulate, transmit, meter, and economically dispatch wholesale electric power and ancillary services, and sell at wholesale, supply, and dispose of electric power to public utility members and affiliated electric utilities, and, if each public utility member consents, sell at retail, supply, and dispose of electric power to industrial customers located outside the service territory of the corporation;

(8) procure fuel supplies, fuel storage capacity, and fuel transmission resources; including fuel in the ground or in other natural or man-made storage and deposits;

(9) own and operate facilities to find and extract fuel deposits;

(10) construct, buy, lease, or otherwise acquire, and equip, maintain, and operate, and sell, assign, convey, lease, mortgage, pledge, or otherwise dispose of or encumber land, buildings, structures, electric power lines or systems, dams, plants and equipment, and any other real or personal property, tangible or intangible, that is necessary, convenient, or appropriate to accomplish the purpose for which the corporation is organized;

(11) buy, lease, or otherwise acquire, and use, and exercise and sell, assign, convey, mortgage, pledge, or otherwise dispose of or encumber franchises, rights, privileges, licenses, permits, and easements;

(12) borrow money and otherwise contract indebtedness, and issue evidences of indebtedness, and secure the payment of the indebtedness by mortgage, pledge, or deed of trust of, or any other encumbrance on its real or personal property, assets, franchises, or revenues;

(13) construct, maintain, and operate electric transmission lines, along, upon, under, and across publicly owned land and public thoroughfares, including, without limitation, all roads, highways, streets, alleys, bridges, and causeways;

(14) exercise the power of eminent domain as a public utility under AS 42.05.631, except the corporation may not

exercise the power of eminent domain to take an electric power generation or transmission asset from a public utility;

(15) acquire by purchase, lease, bequest, devise, gift, exchange, the satisfaction of debts, the foreclosure of mortgages, or otherwise, personal property, rights, rights-of-way, franchises, easements, and other interests in land, and acquire by appropriation water rights that are located in the state, taking title to the property in the name of the corporation;

(16) hold, maintain, use, operate, improve, lease, exchange, donate, convey, alienate, encumber, or otherwise grant a security interest in, or authorize use or dispose of, land or personal property, subject to other provisions of this chapter;

(17) contract with and accept transfers, gifts, grants, or loans of funds or property from the United States or from the state or its political subdivisions, subject to other provisions of federal or state law or municipal ordinances;

(18) undertake and provide for the management, operation, maintenance, use, repair, renovation, and control of all of the property of the corporation;

(19) apply to the state, the United States, and foreign countries or other proper agencies for the permits, licenses, rights-of-way, or approvals necessary to construct, maintain, and operate electric power and related services, and obtain, hold, and reuse the licenses and permits in the same manner as other similar operators;

(20) enter into agreements with the state or a state agency or other instrumentality of the state;

(21) make all contracts necessary, convenient, or appropriate for the full exercise of its powers;

(22) conduct its business and exercise its powers inside or outside the state;

(23) develop operating standards applicable to all interconnected greater Railbelt electric utilities;

(23) do and perform any other act and thing, and have and exercise any other power that may be necessary, convenient, or appropriate to accomplish the purposes for which the corporation is organized;

(24) create subsidiary corporations.

(b) The corporation may not require its members to enter into power purchase agreements that restrict the ability of members to enter into bi-lateral power purchase or wheeling agreements among themselves, except as a condition for participation in specific new generation or transmission projects when such condition is reasonably necessary in order for the corporation to finance the project.

Sec. 42.50.110. Public utility powers and regulation. The corporation shall have all of the powers and duties of a regulated electric public utility under AS 42.05, except :

(1) the corporation is not required to obtain a certificate under AS 42.05.221;

(2) the corporation may not make retail sales of electric power, except to industrial customers outside the service territory of the corporation if each public utility member consents;

(3) the corporation shall be exempt from payment of a regulatory cost charge under AS 42.05.254; and

(4) the corporation shall be exempt from the rate regulation under AS 42.05.431;

(5) a wholesale agreement for the sale of power from a project owned or operated by the corporation and related contracts for the wheeling, storage, regeneration, or wholesale repurchase of power purchased under the agreement, entered into between the corporation and one or more other public utilities are not subject to review or approval by the Regulatory Commission of Alaska until all long-term debt incurred for the project is retired. A wholesale agreement or related contract may contain a covenant for the corporation to establish, charge, and collect rates sufficient to meet its

obligations under the contract.

Sec. 42.50.120. Integrated resource plan. (a) The corporation shall adopt an integrated resource plan for the corporation to use in conjunction with the long-range fuel supply plan for determining the need for, and selection of, electric generation and transmission projects to ensure delivery of safe and reliable electric power to public utility members at the lowest reasonable long-term cost. The corporation in adopting and updating the plan shall evaluate and consider recommendations made in any applicable state energy plan or state integrated resource plan. If the corporation's integrated resource plan deviates from other state energy or resource plans, the corporation's plan must include a report explaining the reasons for the deviation.

(b) The board shall establish a schedule for review of the integrated resource plan and update the plan at least once every five years.

(c) The corporation shall make its integrated resource plans available on the Internet to members, the governor, the legislature, and ratepayers.

Sec. 42.50.130. Long-range fuel supply plan. (a) The corporation shall adopt a long-range fuel supply plan for the corporation to use in conjunction with the integrated resource plan for determining the need for, and selection of, fuel supplies to be used by electric generation projects to ensure delivery of safe, reliable, and sustainable electric power to public utility members at the lowest reasonable long-term cost. In adopting and updating the long-range fuel supply plan, the corporation shall evaluate recommendations made in any applicable state energy plan or state integrated resource plan. If the corporation deviates from recommendations in a state plan, the adopted or updated long-range fuel supply plan shall include a report explaining the reasons for the deviation.

(b) The board shall establish a schedule for review the long-range fuel supply plan, and update the plan at least once every five years

(c) The corporation shall make its long-range fuel supply plans available on the Internet to members, the governor, the legislature, and ratepayers.

Sec. 42.50.140. Long-range capital improvement plan. (a) The corporation shall adopt a long-range capital improvement plan. The plan must describe the manner in which the corporation intends to accomplish the purposes of this chapter, and anticipated capital improvements during each of the following 10 years. The plan shall be based on the principle of providing safe, reliable, and sustainable electric power to public utility members at the lowest reasonable long-term cost.

(b) The board shall establish a schedule for review of the long-range capital improvement plan and update the plan at least once every five years.

(c) The corporation shall make its long-range capital improvement plans available on the Internet to members, the governor, the legislature, and ratepayers.

Sec. 42.50.150. Long-range financial management plan. (a) The corporation shall adopt a long-range financial management plan. The plan must describe the manner in which the corporation intends to accomplish the purposes of this chapter, and the corporation's plans for acquisition, accumulation, and issuance of equity and debt for the next 10 years. The plan shall be based on the principle of providing safe, reliable, and sustainable electric power to public utility at the lowest reasonable long-term cost.

(b) The board shall establish a schedule for review and update the long-range financial management plan at least once every five years,.

(c) The corporation shall make its long-range financial management plan available on the Internet to members, the governor, the legislature, and ratepayers.

Sec. 42.50.160. Pledge of the state. (a) The state pledges to and agrees with any lender to the corporation that the state will not limit or alter the rights and powers given to the corporation by this chapter to fulfill the terms of a contract between the corporation and the lender, or in any way impair the rights and remedies of the lender under such contract. The corporation is authorized to include this pledge and agreement of the state in a contract with any lender to the corporation.

(b) The pledge of the state is limited to the express provisions of (a) of this section and is not a guarantee, surety, promise, undertaking, or assurance of repayment or performance of any obligation of the corporation.

Sec. 42.50.163. Financing Arrangements. (a) The corporation may utilize all financing arrangements permitted by law in achieving the purposes and objectives of the corporation. The bylaws of the corporation shall include provisions governing financing arrangements which include obligations exceeding twelve months.

(b) Financing arrangements may be developed for individual projects.

(c) The corporation may obtain assistance from state agencies in financing projects through direct grants, debt guarantees, granting of a moral obligation of the state to ensure payment of debt instruments, purchase of issued debt instruments or other financial methods appropriate to the projects or tasks.

Sec. 42.50.167. Administrative Costs and Other Services. The corporation may annually assess and collect a fee for administrative expenses from members of the corporation. The corporation may enter into contracts with members of the corporation for services rendered by the members to the corporation and for services provided to the members.

Sec. 42.50.170. Fuel supply. The corporation may acquire long-term fuel supplies as required to ensure electric power generation facilities can operate without fuel-related interruption, including direct ownership of fuel supply production, transportation, and storage facilities as required to meet the corporate purpose stated in AS 42.50.010(b). The corporation is authorized to bid on interests in State lands, including bids for oil and gas leases, and may not be required to post a deposit pursuant to AS 38.05.860. The corporation may acquire long-term fuel supplies under this section in conjunction with other entities acquiring long-term fuel supplies for any lawful purpose in any lawful manner.

Sec. 42.50. 180. Rates for Electric Power, Energy and Services.

(a) The corporation shall establish schedules of rates and charges for electric energy and other services produced by the corporation which become effective upon adoption by the board of directors of the corporation under subsection (c) of this section. The rates and charges included in a schedule:

(1) may be established for individual projects which are owned or operated by the corporation;

(2) shall be based upon the principle that the recovery of the prudently-incurred cost of producing and transmitting such electric energy or other services, including

(i) the amortization of the capital investment over a reasonable period of years and

(ii) margins required by financial covenants contained in mortgages or other debt instruments of the corporation and necessary to permit the corporation to build equity for future operations, shall be permitted;

(3) may include amounts necessary to support a fund for the repair, replacement and retirement of a project owned or operated by the corporation;

(4) may provide for uniform rates and charges in order to extend the benefits of an integrated generation and transmission system and encourage the equitable distribution of the electric energy developed by the corporation. In the alternative, the corporation may adopt rates and charges for a service provided by a specific project owned or operated by the corporation that reflect differences in the cost of providing that service to a specific customer or group of customers.

(b) The corporation shall determine after the conclusion of each fiscal year the actual annual project costs for a project owned or operated by the corporation for that fiscal year, the actual annual payments obligation of each purchaser of the electric energy or services for that fiscal year and the amount of any additional payment required (or the amount of any refund to be returned to) each purchaser to ensure that the total of all payments received from each purchaser for each fiscal year is equal to that purchaser's actual annual payment obligation for that asset for that fiscal year. Any additional payment or refund obligation will be included in or refunded through rates as soon as practicable and authorized by the board.

(c) In establishing a schedule for rates and charges under this section, the corporation must use the procedures in this subsection.

(1) Notice of the proposed schedules of rates and charges must be published to reasonably inform the

members and ratepayers, and must include a statement of the justifications and reasons supporting the new or amended schedules. This notice must include the deadline for timely filing comments.

(2) The corporation may conduct one or more hearings pursuant to procedural rules adopted by the board. These procedural rules must provide for the development a full and complete record which includes all timely filed or submitted written or oral comments related to the proposed rates and charges.

(3). The corporation may republish notice of proposed rates and charges in the schedules if the corporation proposes significantly different new or amended rates or charges following consideration of timely filed or submitted comments

(4). The corporation shall make a final written decision establishing or amending the schedule of rates and charges based upon the complete record. The decision shall include a full and complete justification of the final rates pursuant to this section.

(5). The final decision of the corporation becomes effective ninety days after the corporation issues notice of its final written decision. If the final decision is appealed under the dispute resolution process established pursuant to section 240 of this chapter, the board of the corporation may implement the new or amended rates or charges in the schedules during the appeal on an interim and refundable basis if the board determines that the interests of all ratepayers can be reasonably protected.

(6) Appeal of a final rate decision of the board shall be pursuant to the dispute resolution process set out in A.S. 42.50.240.

(7) The corporation may establish other procedural rules consistent with this subsection to protect the interests of ratepayers.

(d) Validated costs incurred by the corporation in connection with the projects or related agreements described in (b) of this section must be allowed in the rates charged by a public utility. In this subsection, "validated costs" are the actual costs that a public utility pays to the corporation for electric energy or other services. This subsection does not grant the Regulatory Commission of Alaska jurisdiction to alter or amend the rates established under this section.

Sec. 42.50.190. Tax exemption. The real and personal property of the corporation and the assets, income, and receipts of the corporation are exempt from all taxes and special assessments of the state or a political subdivision of the state, except that electricity sold at retail by the corporation is subject to the electric cooperative tax (AS 10.25.540 – 10.25.570).

Sec. 42.50.200. Reports and publications. The board shall publish an annual report on the Internet. The report must include financial statements audited by independent auditors, a discussion of the corporation's circumstances and operations during the period covered by the report, and any other information requested by the legislature or that the board believes would be of interest to the governor, the legislature, members, and ratepayers. The board may publish other reports considered appropriate to its purposes.

Sec. 42.50.210. Right to examine books and records. (a) Except as provided in (c) of this section, members and ratepayers may, at a reasonable time and for any proper purpose, examine and make copies of the books and records of the corporation at the principal office of the corporation.

(b) The corporation may charge a requestor an amount equal to the actual cost of locating and duplicating documents requested under this section.

(c) The corporation may withhold books and records concerning the following subjects:

(1) records required to be kept confidential by law;

(2) personnel records, to the extent that such records are not required to be publically disclosed by a State or federal agency;

(3) records that are proprietary, privileged, or a trade secret;

(4) records or information pertaining to a plan, program, or procedures for establishing, maintaining, or restoring

security, or to a detailed description or evaluation of systems, facilities, or infrastructure of the corporation, but only to the extent that the production of the records or information

(A) could reasonably be expected to interfere with the implementation or enforcement of the security plan, program, or procedures;

(B) would disclose confidential guidelines for investigations or enforcement and the disclosure could reasonably be expected to risk circumvention of the law; or

(C) could reasonably be expected to endanger the life or physical safety of an individual or to present a real and substantial risk to the public health and welfare;

(5) specific matters that were prepared for or during an executive session of the board, and not subsequently made public by the corporation.

Sec. 42.50.220. Audits and examinations of corporation. The corporation shall be audited annually by an independent auditor. The board shall engage the auditor, who shall be responsible to the board. The corporation shall submit copies of each report of the auditor to the legislative auditor within 30 days after receipt of the report by the corporation.

Sec. 42.50.230. Dissolution, merger, consolidation, and disposition of assets. Without prior legislative approval, the corporation may not

(1) dissolve;

(2) merge or consolidate; or

(3) dispose of corporate assets other than in the ordinary course of business.

Sec. 42.50.240. Procedures For Dispute Resolution. The corporation shall have a dispute resolution process established in its bylaws. This dispute resolution process shall include, at a minimum, the following steps:

(1) a requirement that disputes be initially brought before the board for resolution;

(2) if not resolved by the board, a requirement that the corporation and the disputing party shall attempt to resolve the dispute through mediation;

(3) if not resolved through mediation, the bylaws may allow for resolution through binding arbitration; and

(4) if not resolved through mediation, or arbitration if allowed, then the bylaws will allow for resolution of the dispute through litigation in a court of competent jurisdiction.

Sec. 42.50.900. Definitions. In this chapter, unless the context otherwise requires,

(1) "affiliated electric utilities" means an electric utility that is wholly owned by one or more public utility members, and by or through which one or more public utility members obtain electric power or electric generation or transmission services;

(2) "board" means the board of directors of the corporation;

(3) "cooperative" means an entity organized under AS 10.25.

(4) "corporation" means the Greater Railbelt Energy and Transmission Corporation;

(5) "electric power" means electric energy and capacity;

(6) "electric utility" means a public utility under AS 42.05.900(4) that furnishes electrical generation, transmission or distribution service;

(7) "member" means a member of the corporation under AS 42.50.050, including public utility members;

(8) "public utility member" means a municipal or cooperative electric utility with an electric distribution service territory, holding a certificate of public convenience and necessity issued by the Regulatory Commission of Alaska, that is a member of the corporation, but is not an affiliated electric utility;

(9) "ratepayers" means the ratepayers of the public utility members of the corporation.

(10) "service territory of the corporation" means the combined service territories identified in the certificates of public convenience and necessity issued by the Regulatory

* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. (a) Sections 1 and 2 of this Act take effect only if four or more of the listed public utilities deliver to the Alaska Energy Authority before 4:30 p.m. Alaska time on July 30, 2010, a letter of intent in the form and substance acceptable to the Alaska Energy Authority, under which the listed public utility agrees to become a public utility member of the Greater Railbelt Energy and Transmission Corporation. Each listed public utility that meets the conditions described in this subsection, shall, effective August 16, 2010, be a public utility member of the Greater Railbelt Energy and Transmission Corporation. The listed public utilities are as follows:

(1) Homer Electric Association, Inc.;

(2) the City of Seward, Electric Utility Department;

(3) Chugach Electric Association, Inc.;

(4) the Municipality of Anchorage d/b/a Municipal Light and Power Utility;

(5) Matanuska Electric Association, Inc.; and

(6) Golden Valley Electric Association, Inc.

(b) If secs. 1, 2 and 3 of this Act take effect under (a) of this section, secs. 1, 2 and 3 of this Act take effect on August 16, 2010.

(c) The executive director of the Alaska Energy Authority shall notify the lieutenant governor and the revisor of statutes when any of the conditions described in (a) of this section are met.

(d) In this section, unless the context otherwise requires,

(1) "Alaska Energy Authority" means the authority created in AS 44.83.020;

(2) "public utility members" has the meaning given in AS 42.50.900, enacted by sec. 2 of this Act;

(3) "Greater Railbelt Energy and Transmission Corporation" means the corporation established in AS 42.50.010, enacted by sec. 2 of this Act;

***Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

Fraternally,
Penny Nixon, Chair
Last Frontier Foundation, Inc
PMB 385, PO Box 875910
Wasilla, AK 99687-5910
(907) 357-1747
frontierfoundation@gci.net
<http://thealaskastandard.com/?q=storiesbyauthor/Penny%20Nixon>

The Last Frontier Foundation is dedicated to provide educational and research services to citizen organizations to maintain the freedom of individuals under the Constitution of the United States. Contributions or gifts to the Last Frontier Foundation are tax deductible in accordance with IRS 501(c)(3) status.

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