



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 1346-93

CLERK'S OFFICE

APPROVED

Date: 12-14-93

Meeting Date: December 14, 1993

1 From: Mayor

2  
3 Subject: Alaska Intertie Extension Project - Approval of Participants Agreement  
4

5 On December 6, 1993, the Municipality of Anchorage successfully completed negotiations with  
6 Chugach Electric Association, Inc. (CEA), Municipality of Fairbanks d/b/a Fairbanks Municipal Utilities  
7 System (FMUS), Golden Valley Electric Association, Inc. (GVEA), the City of Seward d/b/a Seward  
8 Electric System (SES), Homer Electric Association, Inc. (HEA), Matanuska Electric Association, Inc.  
9 (MEA), and Alaska Electric Generation and Transmission Cooperative, Inc. (AEG&T) regarding the 1993  
10 Alaska Intertie Project Participants Agreement (Participants Agreement). CEA, FMUS, GVEA, SES,  
11 AEG&T, and ML&P are known as the "Participants", and HEA and MEA are "Additional Parties." The  
12 terms of the Participants Agreement were reached pursuant to the Interties Grant Agreement which  
13 ML&P, the other Participants, the Additional Parties, the State of Alaska Department of Administration  
14 (DOA), and the Alaska Industrial Development and Export Authority (AIDEA) negotiated in October  
15 1993.  
16

17 The combined effect of the Participants Agreement and the associated grant and project agreements  
18 outlined herein will, over the useful life of the Alaska Intertie Extension Project, produce net economic  
19 benefits for ML&P's ratepayers. The economic benefits derive, in part, from the State of Alaska's  
20 funding of the 1993 Alaska Intertie Project to the extent of \$90 million. Moreover, the agreements will  
21 contribute to lowering ML&P's costs of transmission and produce additional economies resulting from  
22 greater electric power reliability and improved efficiency.  
23

24 The significant particulars of the Participants Agreement are as follows. The Participants have agreed  
25 to design, construct, operate, maintain, and own the 1993 Alaska Intertie Project, which is composed  
26 of two electric power transmission lines: (a) a 138-kV line between Anchorage, Alaska and Kenai  
27 Peninsula of Alaska (the southern line), and (b) a 138-kV line between Healy, Alaska and Fairbanks,  
28 Alaska (the northern line). The current estimated dates of commercial operation are 2001 for the  
29 southern line and 1996 for the northern line. The Agreement will expire at the end of the Project's  
30 useful life, as reasonably determined by the Participants.  
31

32 The Participants have agreed, collectively, to fund project costs to the extent that they exceed the  
33 amount of funds granted by the State. In exchange for an ownership share of 22.43 percent, ML&P  
34 will pay 22.43 percent of all project costs that exceed the State grant. Payments owed are payable  
35 solely from ML&P's system revenues as a cost of transmission, not from any tax revenues. To finance  
36 construction, it is expected that ML&P will incur debt service obligations for bonds to be issued  
37 collectively at some time in the future by the Participants or separately by ML&P. Total project costs  
38 (net of grant) are currently estimated to be \$90 million, of which ML&P's share is expected to be  
39 \$20,187,000; ML&P's annual payments are estimated to be \$2.1 million. Project costs include design,  
40 construction, operation, maintenance, renewals and replacements.  
41


42 A Participants ownership committee (known as the IPG) will make significant project decisions, including  
43 design, routing, budget approvals, and selection of managers. ML&P has one membership vote. It also  
44 has a percentage vote equal to its 22.43 percent ownership interest. The Participants Agreement  
45 contemplates that the Participants will enter into further agreements regarding the construction,  
46 operation and maintenance for each of the project's transmission lines. ML&P has promised to  
47 negotiate and execute these additional project agreements, the terms and conditions of which are  
48 outlined in the Participants Agreement, with the other Participants. However, ML&P will request  
49 Assembly approval of the additional agreements after negotiations are successfully concluded.  
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1 ML&P and the other Participants are working together with DOA and AIDEA to manage and disburse  
2 the funds granted by the State. AIDEA, DOA, CEA, MEA, HEA, GVEA, AEG&T, FMUS, SES and ML&P  
3 have entered/will enter into the Grant Transfer and Delegation Agreement, which provides for AIDEA to  
4 hold and administer the grant funds for the benefit of the Participants. AIDEA, CEA, MEA, HEA, GVEA,  
5 AEG&T, FMUS, SES and ML&P have entered/will enter into the Grant Administration Agreement, which  
6 provides for management and disbursement of the grant funds. Together, these two agreements insure  
7 that all statutory conditions and contractual requirements will be satisfied in the expenditure of state  
8 funds granted for project.

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10 Per AMC 7.20.080, competitive bidding for the 1993 Alaska Intertie Project is not required because the  
11 contractors identified in the subject agreement are reasonably the sole source for the service provided  
12 and particularly considering the \$90 million state contribution to the funding of the project.

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14 The Assembly approval is respectfully requested for the administration to enter into the agreement  
15 outlined above.


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19 Concurrere:

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21   
22 Joe C. Fouts  
23 Executive Manager, Enterprise Activities

Prepared by:

24   
25 Thomas R. Stahr  
26 General Manager, ML&P  
27 *for*  
28 *T.R. Stahr*

29 CONCURRENCE:

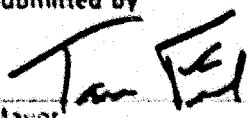
30   
31 Larry D. Crawford  
32 Municipal Manager

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34 Jerry Anderson  
35 Chief Fiscal Officer

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37 Fund Certification: \$20,187,000

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39 Subject to future ML&P Operating and Capital  
40 Budgets

41 Submitted by:

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43 Mayor