

# COUNCIL AGENDA STATEMENT

Meeting Date: July 14, 2003

Through: Phil Shealy, City Manager

From: Dave Calvert, Manager, Electric Utility



Agenda Item: Southern Intertie Participation/Non-Participation

## BACKGROUND & JUSTIFICATION:

On January 10<sup>th</sup>, 1994, the Seward City Council passed Resolution 94-014 authorizing the City Manager to execute the Alaska Intertie Project Participants Agreement for and on behalf of the City of Seward. This contract was one of four signed by the City of Seward and five other "Railbelt" Utilities to construct a Southern and a Northern Intertie primarily funded by a \$90 million State Grant. \$45 million was allocated to each Intertie. The Northern Intertie is now under construction.

The Environmental Impact Statement (EIS) took about eight years to complete at a cost of approximately \$6.5 million, funded out of the Original State Grant of \$45 million for the Southern Intertie. However, in the Intertie Grant Agreement, which transferred the funds to AIDEA on behalf of the participating utilities, it specifically says that "...grant funds held by AIDEA and all interest earned thereon shall not be or constitute monies of the State." In other words the interest earned on the grant funds belong to the participants in the project. In 2003, the interest for the Southern Intertie amounted to approximately \$28 million. The Governor, in violation of these agreements, requested and received from AIDEA the \$28 million in interest funds to help balance his budget, leaving only approximately \$47 million in the fund to construct a \$118 million dollar project. This would mean that the participating utilities would have to fund approximately \$71 million, of which Seward's share would be at least \$1 million. There would not be that much in benefits for the City of Seward. Further, other Railbelt Utilities have already indicated their intention to opt out of the project, which would increase Seward's share of the project and the related cost.

The "Decision Date", set by the Intertie Participants Group (IPG), is July 15<sup>th</sup>, 2003. Utilities can opt out of the project up to and including that date without penalty. I recommend that Seward exercise that option.

## CONSISTENCY CHECKLIST:

	Yes	No
1. Comprehensive Plan	___	___
2. Strategic Plan	___	___
3. Other _____	___	___
4. Not applicable	<u>X</u>	___

**FISCAL NOTE:**

There are no City Funds to be expended.

Approved by Finance Department \_\_\_\_\_

**RECOMMENDATION:**

City Council approve Resolution 03- \_\_\_\_\_ authorizing the City Manager to notify the other participating utilities in the Southern Intertie that Seward will not be a participant after July 15<sup>th</sup>, 2003. This notice is given in compliance with Section 4(b)(3) of the Participants Agreement