

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Department of Law
For reading: January 9, 2018

**ANCHORAGE, ALASKA
AO No. 2018-1**

1 **AN ORDINANCE SUBMITTING TO THE QUALIFIED VOTERS OF THE**
2 **MUNICIPALITY OF ANCHORAGE A CHARTER AMENDMENT PERMITTING**
3 **MUNICIPAL LIGHT & POWER TO BE SOLD TO CHUGACH ELECTRIC**
4 **ASSOCIATION, INC. AND AUTHORIZING DISPOSAL OF THE PROCEEDS OF**
5 **SALE.**
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7
8 **WHEREAS**, the Assembly, via AR 2017-235, urged the Municipality of Anchorage
9 (MOA), Municipal Light & Power (ML&P), and Chugach Electric Association, Inc.
10 (Chugach Electric) to explore opportunities for merger of the ML&P and Chugach
11 Electric utilities in the interest of eliminating duplicative investment in power
12 generation and the local grid and reducing per capita costs of services; and
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14 **WHEREAS**, MOA, ML&P, and Chugach Electric engaged in the recommended
15 discussions and determined that a merger is not possible, but that a sale of ML&P to
16 Chugach Electric could be feasible; and
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18 **WHEREAS**, MOA commissioned an independent analysis to assess ML&P's
19 strategic position and its potential market value in a possible sale transaction; and
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21 **WHEREAS**, MOA received and reviewed multiple expressions of interest from parties
22 interested in a purchase of ML&P; and
23

24 **WHEREAS**, Chugach Electric has proposed a competitive price for purchase of
25 ML&P, consistent with the market value of ML&P as determined by independent
26 analysis; and
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28 **WHEREAS**, the purchase of ML&P by Chugach Electric is in the public interest
29 because it will: (1) consolidate the majority of Anchorage electrical service in a single
30 utility, increasing efficiencies in power generation and electrical infrastructure; (2)
31 unify local control over the majority of Anchorage's electrical service, through a utility
32 cooperatively owned by residents of the Municipality; (3) consolidate utility ownership
33 within Alaska's Railbelt; (4) keep proceeds from Anchorage electrical service in the
34 local economy; (5) maintain consistent union representation for ML&P employees;
35 and (6) preserve existing rates for ML&P customers; and
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37 **WHEREAS**, proceeds of the sale of ML&P to Chugach should be used to ensure that
38 taxes subject to the tax cap cannot rise as a result of the sale, and then to retire debt
39 and to further endow the MOA Trust Fund; now, therefore,
40
41

42 **THE ANCHORAGE ASSEMBLY ORDAINS:**
43

1 **Section 1.** Pursuant to state law and the Anchorage Municipal Charter, the
 2 Assembly approves a ballot proposition in substantially the same form as appears in
 3 Section 2 below, and directs that the proposition shall be placed on the ballot and
 4 submitted to the qualified voters of the Municipality at the regular municipal election
 5 to be held on April 3, 2018.

6
 7 **Section 2.** Pursuant to Article XVIII of the Anchorage Municipal Charter, the ballot
 8 proposition to amend the Charter to permit a sale of ML&P to Chugach Electric shall
 9 be presented in substantially the following form and substance:

10
 11 **PROPOSITION _____**
 12 **CHARTER AMENDMENT AND SALE OF ML&P TO CHUGACH ELECTRIC**

13
 14 If approved by a majority of qualified voters voting on the question, this proposition
 15 would amend the Anchorage Municipal Charter and authorize (but not require) the
 16 Municipality to sell by Assembly Ordinance the assets and business of Municipal
 17 Light & Power (ML&P) to Chugach Electric Association, Inc. (Chugach Electric).
 18

19 Chugach Electric proposes to acquire ML&P assets in a transaction that, among
 20 other terms, would include:

- 21
- 22 • **Payment of Fair Market Value.** Chugach Electric would pay
 23 market value for the acquisition of ML&P. The municipality
 24 would use a portion of the purchase price to repay debt and
 25 replace current payments in-lieu-of-tax, and deposit the
 26 remaining proceeds in the MOA Trust Fund. The MOA Trust
 27 Fund is a permanent, protected endowment with dividends
 28 payable only in accordance with a controlled spending policy
 29 adopted by law.
 - 30
 - 31 • **Retention of Employees.** Chugach Electric would commit to
 32 retain all current ML&P employees for a period of at least two (2)
 33 years after closing of the transaction, and would succeed to all
 34 rights and obligations of the collective bargaining agreement
 35 covering ML&P employees.
 - 36
 - 37 • **Replacement of Payments In-Lieu-of-Tax.** A portion of the
 38 payments made by Chugach Electric would replace ML&P's
 39 Municipal Utility Service Assessment for the purposes of the
 40 municipal tax cap. This structure would ensure that property and
 41 other taxes subject to the tax cap cannot rise as a result of the
 42 sale.
 - 43
 - 44 • **No Change in Base Rates.** Base rates for existing ML&P
 45 ratepayers would not increase as a result of the transaction for a
 46 period of two (2) years after closing.
 - 47

48 This proposition would specifically amend Article XVI *Municipal Utilities*
 49 of the Anchorage Municipal Charter to add a new section as follows:
 50

Section 16.04 **Disposal of Municipal Light & Power to Chugach Electric Association, Disposition of Proceeds.**

A. **ML&P to Chugach Electric.** In addition to the disposal options provided under section 16.02, and notwithstanding any other provision of this Charter to the contrary, the municipality may by ordinance sell, lease, or otherwise dispose of all or part of the assets and business of Municipal Light & Power to Chugach Electric Association, Inc.

B. **Disposition of Proceeds.** Notwithstanding any provision of this Charter to the contrary, a portion of any annual payment received by the municipality in a transaction described in section 16.04A, equivalent to the Municipal Utility Service Assessment that the municipality would have received from ML&P had the transaction not occurred, shall be deemed and treated as a "payment in-lieu of taxes" for the purposes of section 14.03(a)(1), and shall be available to the municipality for appropriation. All other proceeds of the sale of ML&P received by the municipality shall be disposed of in accordance with section 13.11.

Shall the Charter be amended, and the municipality be authorized (but not required) to sell all or part of ML&P to Chugach Electric and dispose of the proceeds of sale, as described above? (AO 2018-__)

 YES NO

Section 3. The proposition contained in Section 2 of this ordinance shall take effect and be incorporated into the Home Rule Charter for the Municipality of Anchorage, Alaska, upon certification of the election, only if the proposition is passed by a majority of the qualified voters voting on said proposition at the regular municipal election on April 3, 2018. All other sections of this ordinance are effective immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2018.

Chair of the Assembly

ATTEST:

Municipal Clerk

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MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 6-2018

Meeting Date: January 9, 2018

1 **From: MAYOR**

2
3 **Subject: AN ORDINANCE SUBMITTING TO THE QUALIFIED VOTERS OF**
4 **THE MUNICIPALITY OF ANCHORAGE A CHARTER AMENDMENT**
5 **PERMITTING MUNICIPAL LIGHT & POWER TO BE SOLD TO**
6 **CHUGACH ELECTRIC ASSOCIATION, INC. AND AUTHORIZING**
7 **DISPOSAL OF THE PROCEEDS OF SALE**
8

9 This proposed ordinance provides a ballot proposition for the 2018 municipal
10 election which would amend the Anchorage Municipal Charter to enable a sale of
11 the assets and business of Municipal Light & Power (ML&P) to Chugach Electric
12 Association, Inc. (Chugach Electric).
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14 In June of 2017 the Assembly, via AR 2017-235, directed the administration to
15 engage with ML&P and Chugach Electric to explore opportunities for merger of the
16 two utilities. This direction followed upon similar requests from the Regulatory
17 Commission of Alaska and local business leaders via the Anchorage Economic
18 Development Corporation. Through subsequent conversations, it became clear that
19 a merger was not possible, but that a sale of ML&P could be an alternative to
20 achieve the efficiency and consolidation benefits desired by the Assembly.
21

22 The administration commissioned an independent financial analysis to assess
23 ML&P's strategic position and potential market value in a sale transaction, and
24 received and reviewed expressions of interest from Chugach Electric and other
25 parties interested in a purchase of ML&P. Assessed against these metrics,
26 Chugach Electric has proposed a competitive price and competitive terms for the
27 purchase of ML&P. A directed sale to Chugach Electric is further in the public
28 interest because it will: (1) consolidate the majority of Anchorage electrical service in
29 a single utility, increasing efficiencies in power generation and electrical
30 infrastructure; (2) unify local control over the majority of Anchorage's electrical
31 service, through a utility cooperatively owned by residents of the Municipality; (3)
32 consolidate utility ownership within Alaska's Railbelt; (4) keep proceeds from
33 Anchorage electrical service in the local economy; (5) maintain consistent union
34 representation for ML&P employees; and (6) preserve existing rates for ML&P
35 customers.
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37 The proposed ballot proposition directs that proceeds of the sale be used first to
38 ensure that taxes subject to the tax cap cannot rise as a result of the sale, and then
39 to retire debt and to further endow the MOA Trust Fund. The full economic effects

1 of the ballot proposition will not be known until a definitive purchase and sale
2 agreement is executed; as such, a summary of economic effects is not included at
3 this time.

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5 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

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7 Prepared by: Rebecca A. Windt Pearson, Municipal Attorney
8 Concur: Mark A. Johnston, General Manager, ML&P
9 Concur: William D. Falsey, Municipal Manager
10 Respectfully submitted: Ethan A. Berkowitz, Mayor