



PROPOSITION 10
CHARTER AMENDMENT AND SALE OF ML&P TO
CHUGACH ELECTRIC

If approved by a majority of qualified voters voting on the question, this proposition would amend the Anchorage Municipal Charter and authorize (but not require) the Municipality to sell by Assembly Ordinance approved no later than December 31, 2018, the assets and business of Municipal Light & Power (ML&P) to Chugach Electric Association, Inc. (Chugach Electric).

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 2018-1(S))

YES

NO



April 12, 2017

RE: Recommendations of the AEDC Electric Utilities Working Group

Dear Mayor Berkowitz, Chair Gray-Jackson, Chair Reiser, Mr. Thibert and Mr. Johnston:

Working Group Observations-

Based on the inputs of ML&P, CEA and NERA, as well as the expertise of its members, the working group has made the following observations:

- The current model of two electric utilities serving the majority of Anchorage's 295,000 citizens has resulted in inherent inefficiencies that are creating growing costs for ratepayers.

Municipal Clerk's Office

Approved

Date: 6/13/2017

Submitted by: Assembly Members Dunbar, Croft,
Demboski, and Steele

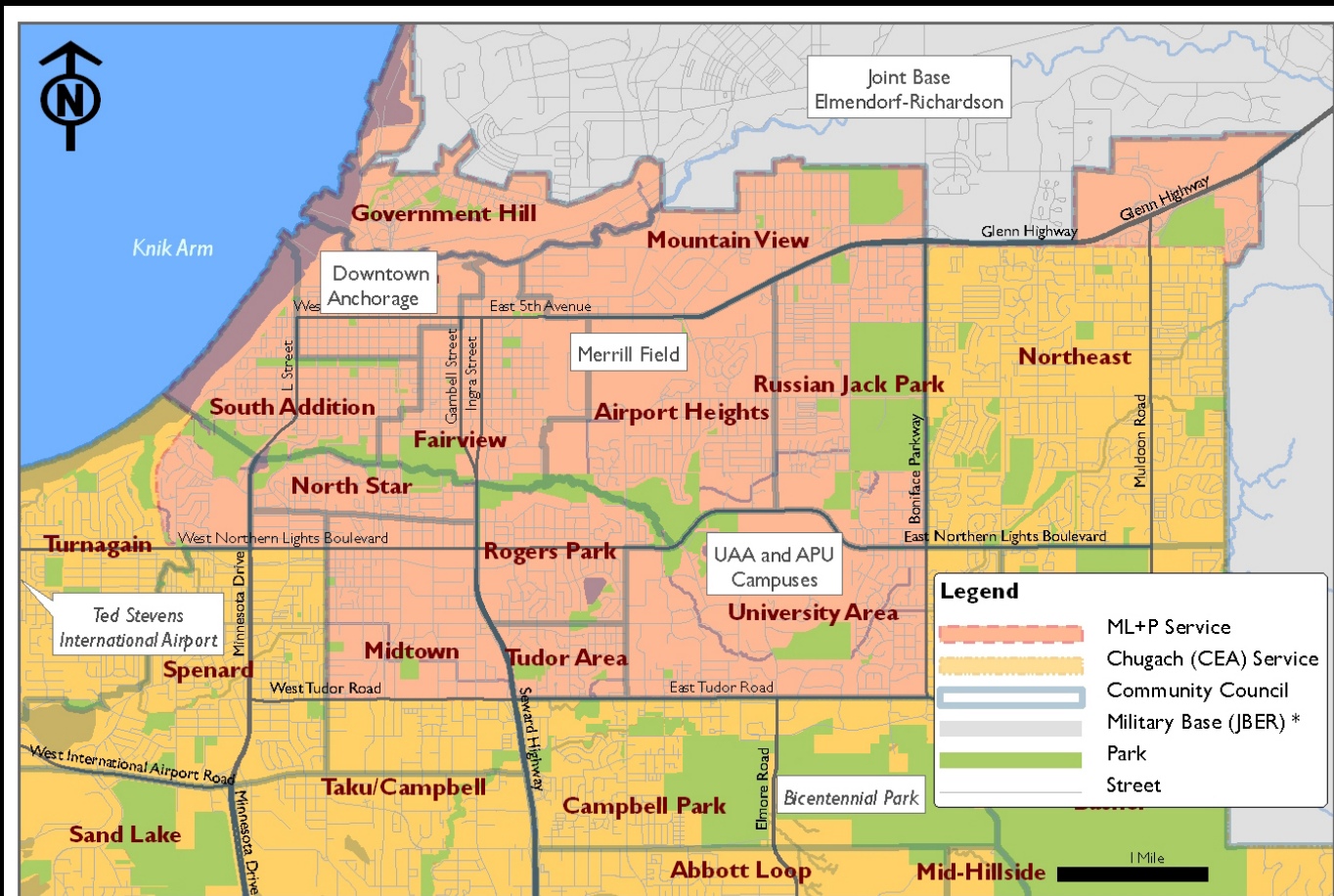
Prepared by: Municipal Clerk's Office

For reading: June 13, 2017

ANCHORAGE, ALASKA
AR No. 2017-235

1 **A RESOLUTION OF THE ANCHORAGE ASSEMBLY URGING THE MUNICIPALITY OF**
2 **ANCHORAGE, MUNICIPAL LIGHT & POWER, AND CHUGACH ELECTRIC ASSOCIATION**
3 **TO BEGIN SUBSTANTIVE STEPS TO EXPLORE MERGER OPPORTUNITIES.**

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5 **WHEREAS**, the Anchorage Assembly Enterprise and Utility Oversight Committee heard
6 reports from the Anchorage Economic Development Corporation (AEDC), Municipal Light &
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8 Thursday, May 18, 2017; and
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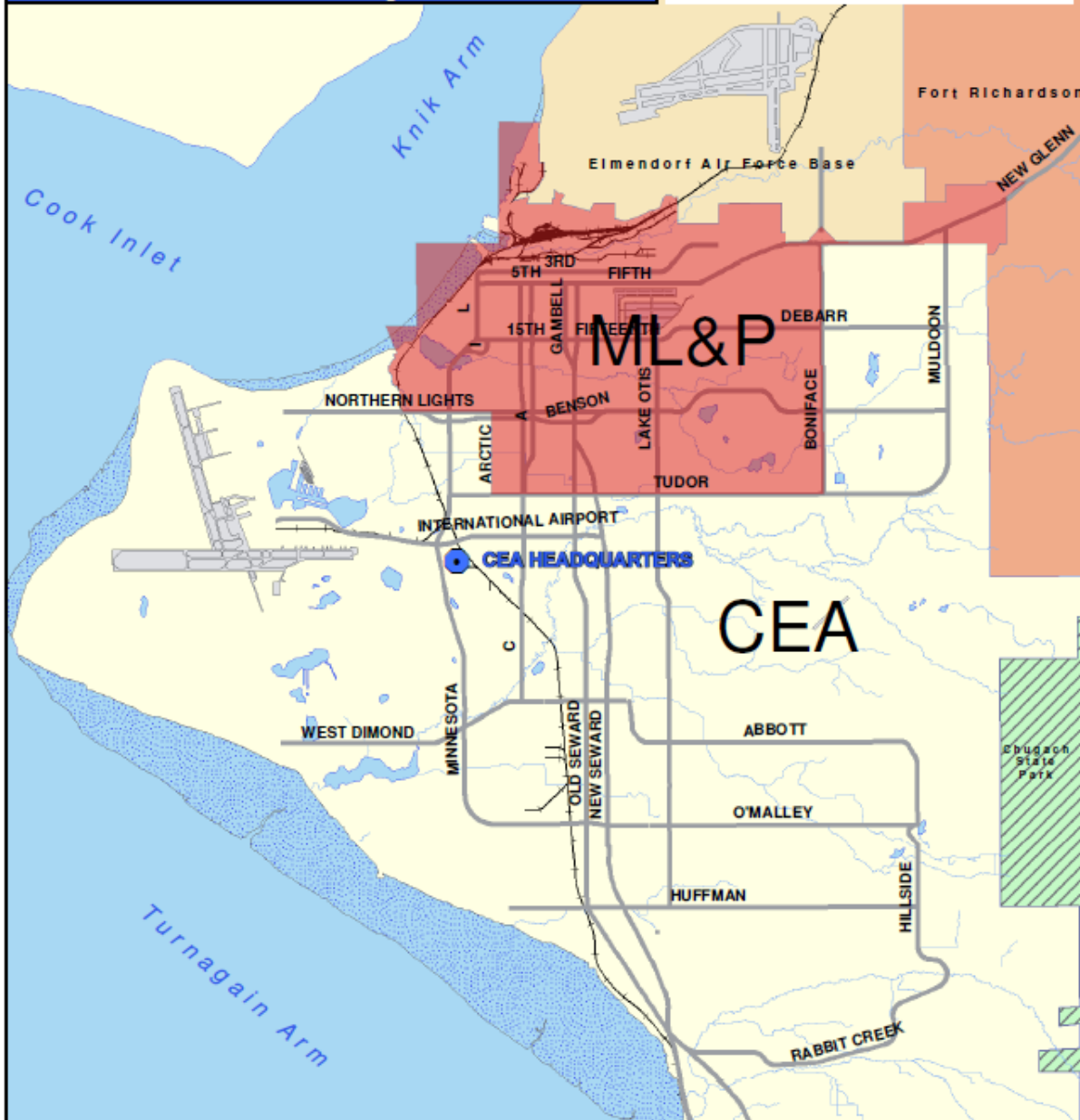
* JBER is part of ML+P's service area but is displayed separately

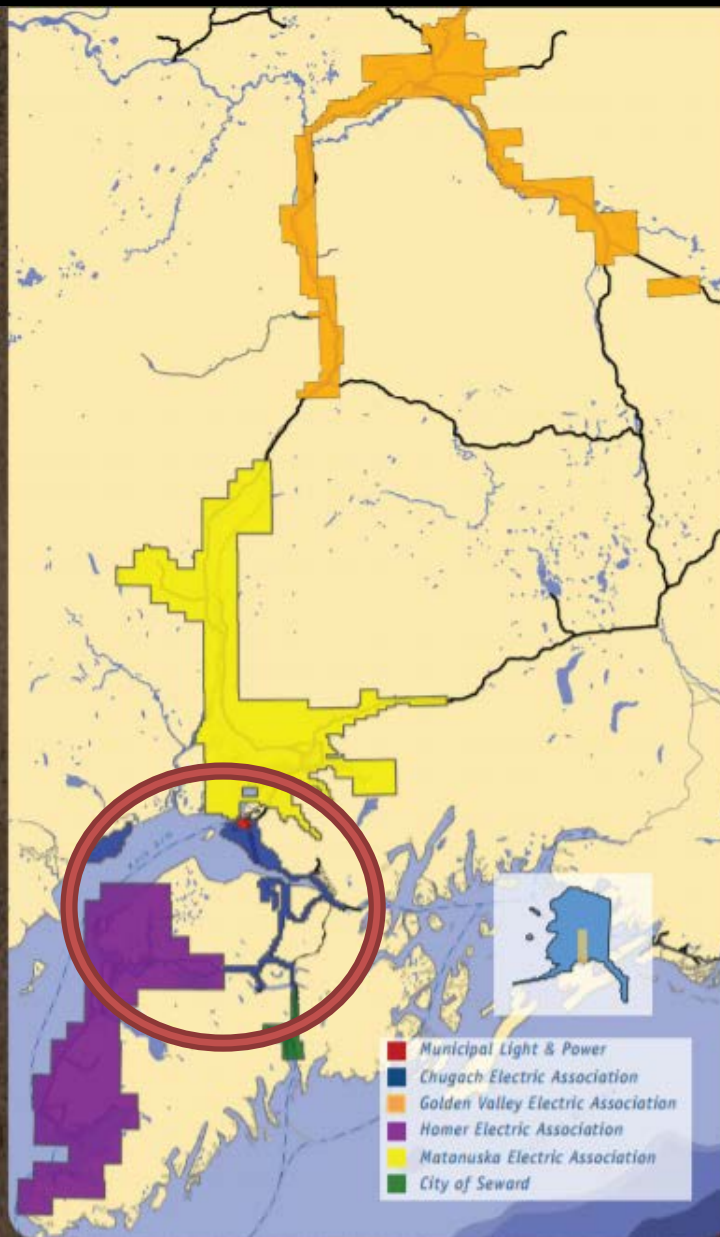
CHUGACH SERVICE AREA IN THE ANCHORAGE BOWL

CPCN Effective Date: August 17, 1987

CHUGACH

POWERING ALASKA'S FUTURE





The Railbelt

Chugach power flows to nearly three-fourths of Alaska's population. Chugach serves 82,004 retail service locations in an area extending from Anchorage to the northern Kenai Peninsula, and from Whittier on Prince William Sound to Tyonek on the west side of Cook Inlet including Fire Island. Chugach provides power for Alaskans from Homer to Fairbanks through wholesale and economy energy sales to Homer Electric Association, the City of Seward, Matanuska Electric Association and Golden Valley Electric Association. On occasion, Chugach sells to, or buys energy from, Municipal Light & Power.

In 2012, Chugach had 462.6 megawatts of installed generation capacity at four power plants. Chugach operates 2,227 miles of energized line. Chugach has 539 miles of transmission line, including 128 miles of leased transmission lines and Chugach's share of the jointly-owned Eklutna transmission line. Chugach has 912 miles of overhead distribution line and 776 miles of underground distribution line.

Chugach set its 2012 system peak load on Dec. 17, when demand hit 475 megawatts in the hour ending at 7 p.m. The temperature at the time at Chugach headquarters was minus 1 degree Fahrenheit. Power sales for the year totaled 2.6 billion kilowatt-hours.

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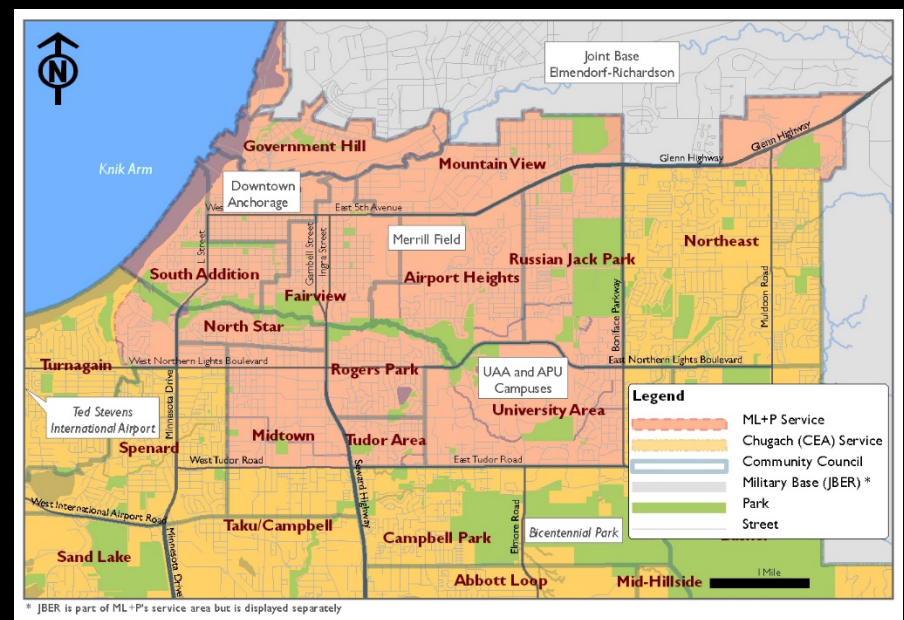
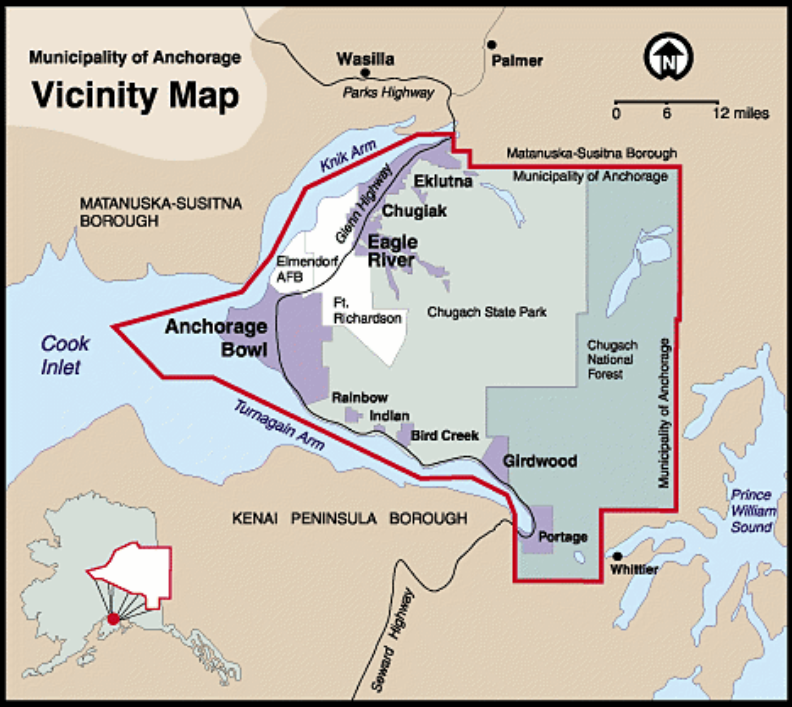
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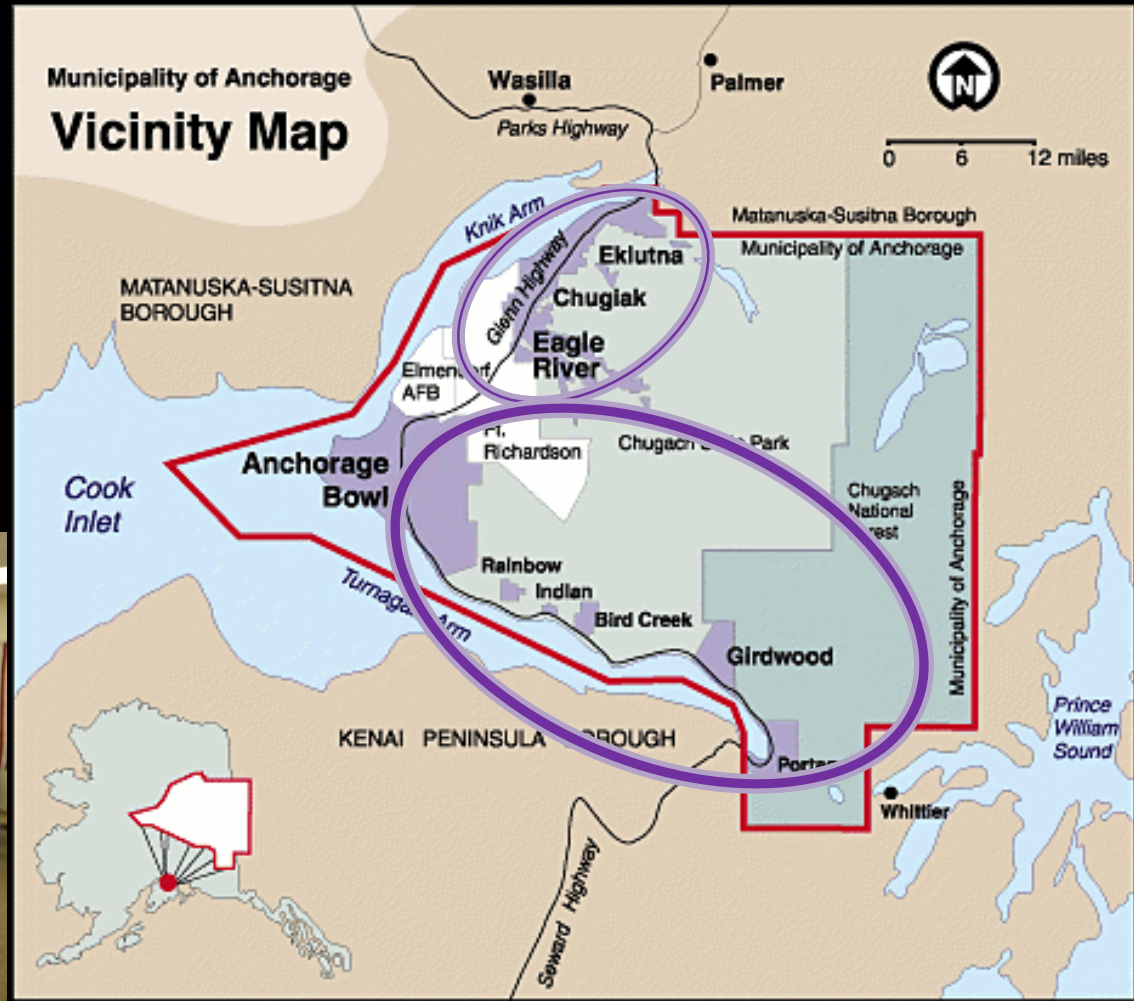
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ML&P Payment	\$ (millions)
<u>MUSA</u> (Municipal Utility Service Assessment) [or PILT (Payment in Lieu of Tax)]	~\$9
<u>Intergovernmental Charges</u>	~\$4
<u>Dividend</u>	~\$0 - \$7
Annual Value to Municipality	~\$13 - \$20



Regulatory Commission of Alaska

Protecting consumer interests. Promoting economic development.

What's New
at the RCA

RCA
Exchange

For
Consumers

For
Legislators

RCA
Library

Programs
and Utilities

Provisional
Certification

§ 42.05.521. Impaired capital

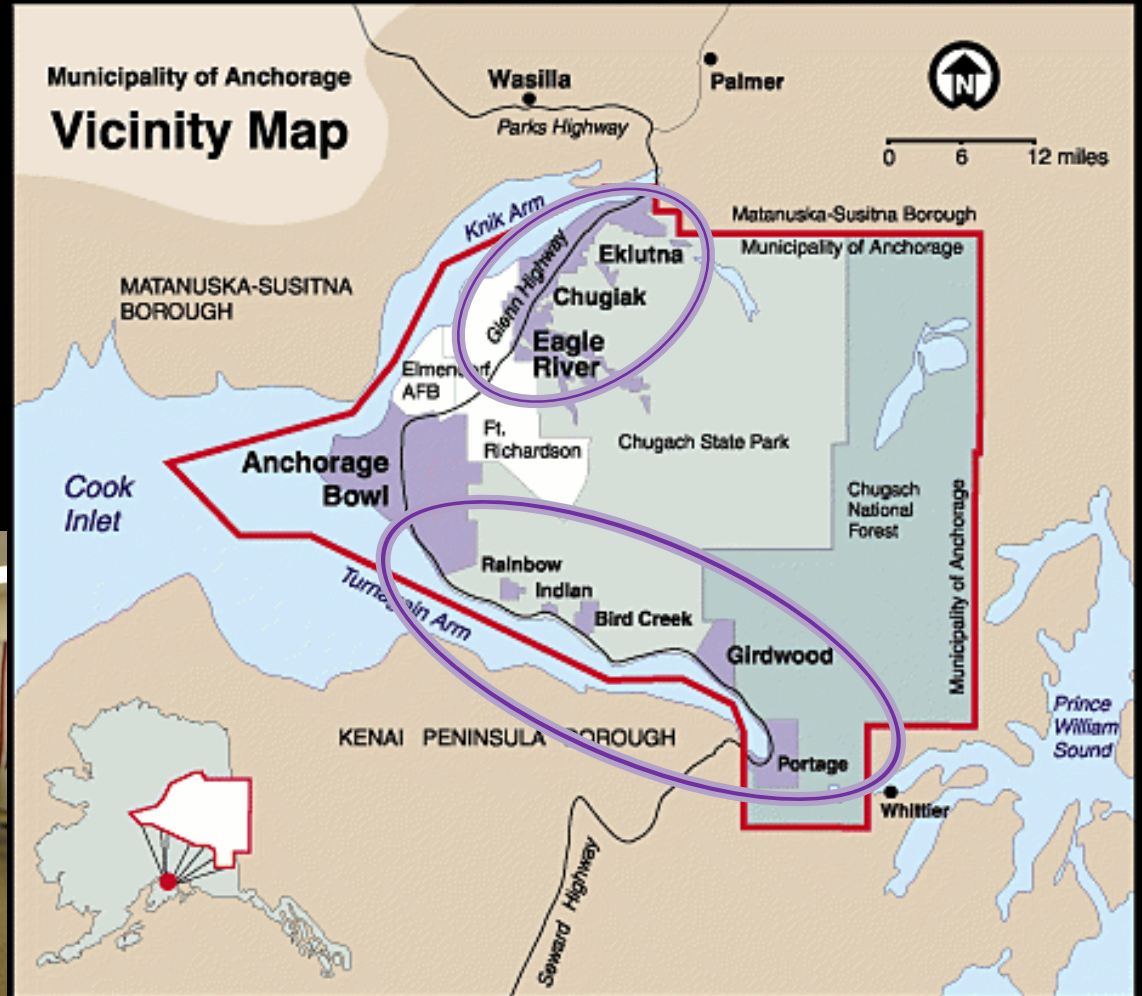
When the commission finds that the capital of a public utility corporation is impaired, or might become impaired, it may, after investigation and hearing, issue an order directing the public utility to cease paying dividends on its common stock until the impairment has been removed.



Year	Actual ML&P Dividend
2017	\$0
2016	\$0
2015	\$7,028,943
2014	\$5,821,979
2013	\$6,018,491
2012	\$6,786,180
2011	\$6,595,402
2010	\$6,014,120
2009	\$5,401,356
2008	\$5,192,306
2007	\$5,969,152
2006	\$5,964,169

Year	Actual ML&P Dividend
2005	\$0
2004	\$0
2003	\$0
2002	\$0
2001	\$0
2000	\$0
1999	\$0
1998	\$0
1997	\$0
1996	\$0
1995	\$0
1994	\$0
1993	\$0
1992	\$0
1991	\$0
1990	\$0
1989	\$0
1988	\$0







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<u>Intergovernmental Charges</u>	~\$1
<u>Dividend</u>	~\$0 - \$7
Annual Value to Municipality	~\$13 - \$20

Beluga River Gas Field

West Cook Inlet, Alaska



Field Facts

Operator	ConocoPhillips		
Ownership	ConocoPhillips	33.3%	
	Hilcorp	33.3%	
	Municipal Light & Power	33.3%	



Purchase of Beluga River Gas Field Approved

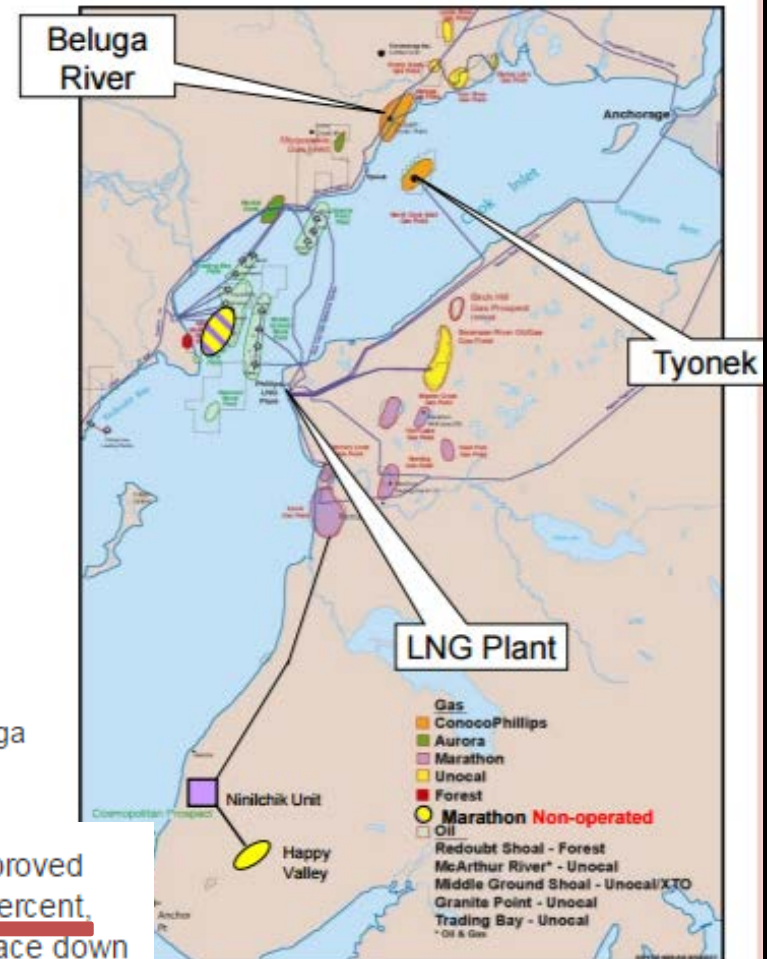
RCA issues favorable ruling for Anchorage ratepayers

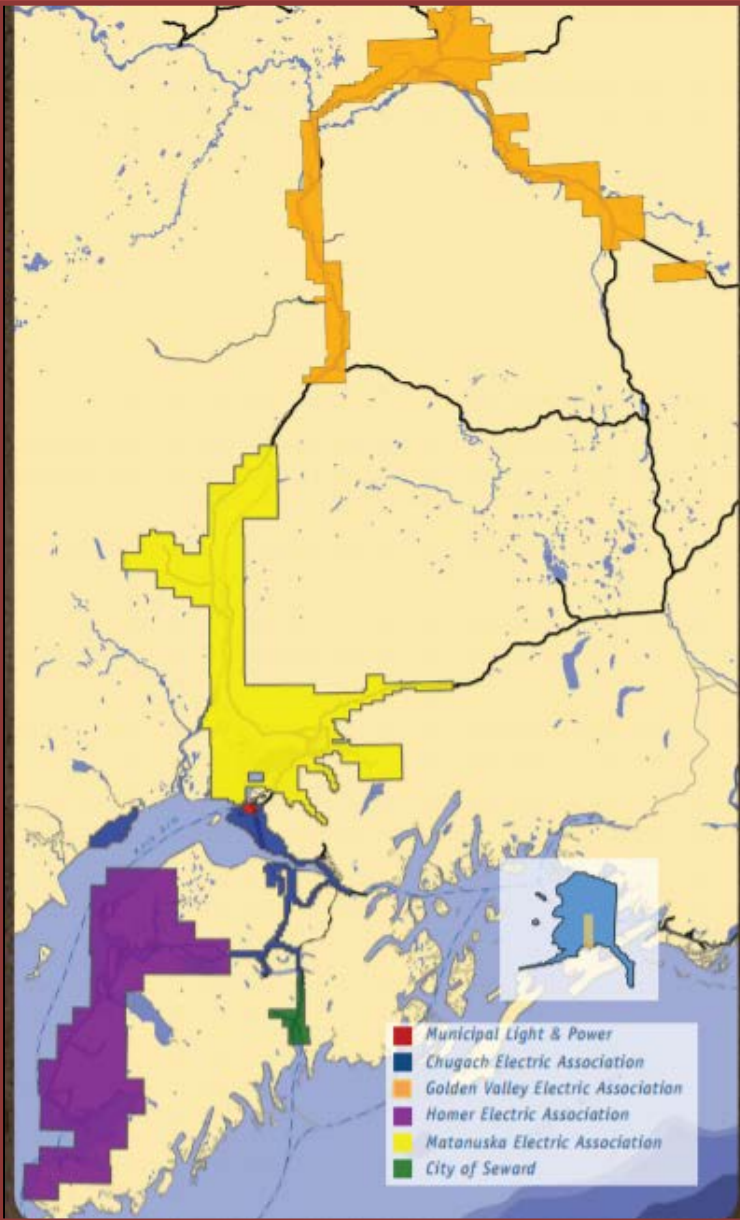
4/22/2016

Mayor's Corner

ANCHORAGE – April 21, 2016 – The Regulatory Commission of Alaska today approved the purchase of ConocoPhillips' one-third working interest in the Beluga River Unit natural gas field by Municipal Light & Power and Chugach Electric Association.

The RCA ruling approves the purchase and sale agreement. With the approved acquisition of ConocoPhillips' one-third interest, ML&P now owns 56.67 percent, Hilcorp owns 33.33 percent, and Chugach owns 10 percent from the surface down to 7,000 feet. ML&P and Chugach own 80 percent and 20 percent of the interest below 7,000 feet, respectively. Hilcorp will be the operator of the field.





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Municipal Light & Power Analysis

Municipality of Anchorage /
Municipal Light & Power



[Anchorage](#)

ML&P's \$1 billion price tag: Confidential report sheds light on deal

✍ Author: Devin Kelly © Updated: January 26 📅 Published January 26



Plant superintendent Nat Lewis leads a media tour of ML&P's George M. Sullivan Plant 2A electrical

[Buy This Photo](#)

Illustrative ML&P Valuation Analysis as of Year End 2018

(\$ in millions)

Confidential

Financial Analyses	Sale Scenario 1 – 40% Equity, 60% Debt ¹		Sale Scenario 2 – 50% Equity, 50% Debt ²	
	Illustrative Enterprise Value	Comments	Illustrative Enterprise Value	Comments
Public Company Trading P/E Valuation	\$684 \$738	<ul style="list-style-type: none"> High³: P/E 21.8x (UTL 2019E) Low: P/E 17.2x (HE 2019E) 2019 NI of \$11.6 mn net of 35% tax Debt of \$535 mn, Cash & Cash Equiv. of \$51 mn⁴ 	\$722 \$786	<ul style="list-style-type: none"> High³: P/E 21.8x (UTL 2019E) Low: P/E 17.2x (HE 2019E) 2019 NI of \$13.8 mn net of 35% tax Debt of \$535 mn, Cash & Cash Equiv. of \$51 mn⁴
Selected Transactions P/E Valuation	\$697 \$794	<ul style="list-style-type: none"> High: P/E 26.6x (Nextera / Oncor) Low: P/E 18.3x (Fortis / UNS) 2019 NI of \$11.6 mn net of 35% tax Debt of \$535 mn, Cash & Cash Equiv. of \$51 mn⁴ 	\$737 \$852	<ul style="list-style-type: none"> High: P/E 26.6x (Nextera / Oncor) Low: P/E 18.3x (Fortis / UNS) 2019 NI of \$13.8 mn net of 35% tax Debt of \$535 mn, Cash & Cash Equiv. of \$51 mn⁴
Discounted Cash Flow Valuation	\$707 \$1,043	<ul style="list-style-type: none"> 8.0x to 12.0x exit multiple 4.5% to 5.5% WACC Assumes 35% taxes 	\$773 \$1,142	<ul style="list-style-type: none"> 8.0x to 12.0x exit multiple 4.5% to 5.5% WACC Assumes 35% taxes

Source: Bloomberg and IBES as of 2/28/2019. Company projections

1. Target capitalization of 40% equity, 60% debt. 2 Target capitalization of 50% equity, 50% debt. 3 Excluding MGEE that has a high proportion of non-regulated net income. 4 Debt and cash balance as of year end 2017; net debt calculated by subtracting cash (\$27.2mn) and senior lien reserves (\$23.8mn) from estimated debt outstanding (\$535.0mn).

Effect on Rates

- Assumption under all scenarios: Beginning in 2020, the utility will raise rates every two years to achieve a 10.9% Return on Equity ("ROE") target, a threshold agreed upon by ML&P, MOA, and their regulatory counsel.

ML&P Realized ROE from 2008-2015

2008	2009	2010	2011	2012	2013	2014	2015
6.9 %	5.4 %	3.6 %	5.0 %	6.6 %	2.2 %	5.0 %	2.4 %

Source: EMP

- Non-COPA rate increases will be capped at 10% annually. In the event that this does not generate enough income to achieve the target ROE, the utility will pursue rate increases in successive years until the target ROE is achieved.

CHUGACH

POWERING ALASKA'S FUTURE

Chugach Offer

Acquisition	
ML&P Debt	\$524,000,000
Defeasance	\$18,000,000
ML&P Equity	\$170,000,000
Subtotal	\$712,000,000
Annual Acquisition Payments (NPV) ¹	\$170,300,000
Chugach Cost of Acquisition	\$882,300,000
Payments in Lieu of Taxes (NPV) ¹	\$142,000,000
Total MOA Receipts	\$1,024,300,000

¹ Net present value based on 5% discount rate, 30 years.

Illustrative ML&P Valuation Analysis as of Year End 2018

(\$ in millions)

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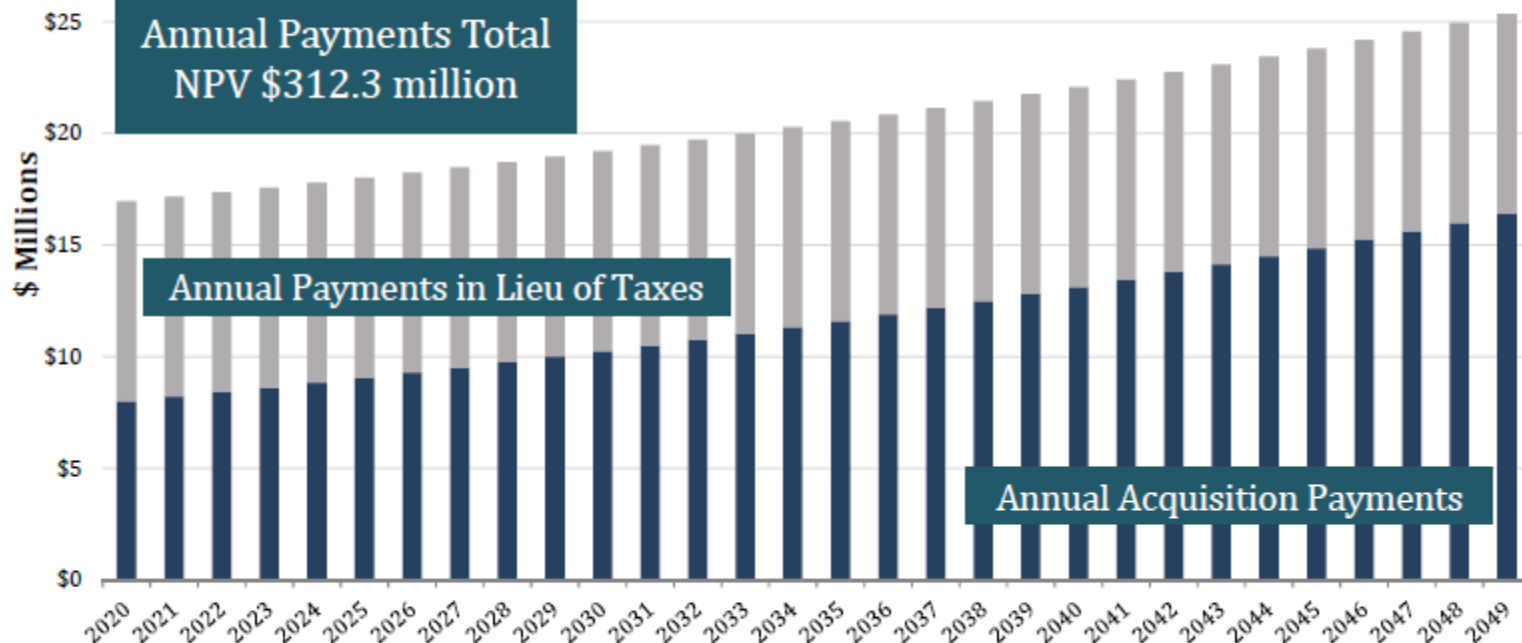
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30-Year Payments to MOA

Payment at Closing (2019)

Equity	\$170,000,000
Debt, including cost of defeasance	\$542,000,000
Total Amount Due at Closing	\$712,000,000

Annual Payments Total
NPV \$312.3 million



Chugach Offer

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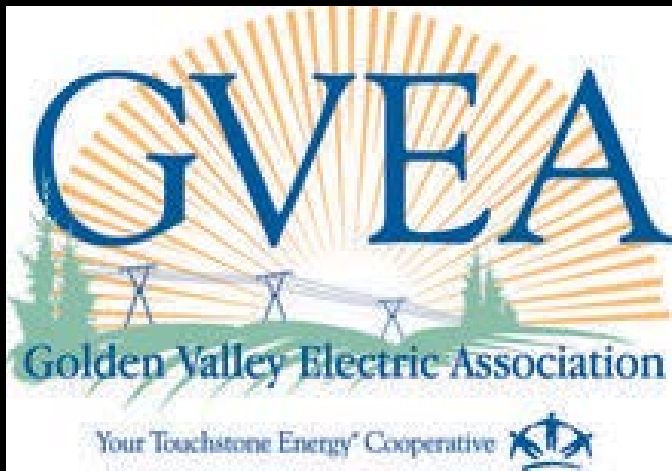
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XMEEA

MATANUSKA ELECTRIC ASSOCIATION

Anchorage

5 other companies expressed interest in buying Anchorage power company

 Author: Devin Kelly  Updated: February 21  Published February 20



The George M. Sullivan Plant 2a along the Glenn Highway in Anchorage. (Erik Hill / ADN file photo)

Evaluation of Preliminary Bids



Municipality of Anchorage



Anchorage Municipal Light & Power Acquisition Proposals (millions)

	<i>GVEA (Nov. 22)</i>	<i>GVEA (Dec. 12)</i>	<i>Avista Corporation</i>	<i>CIRI Energy</i>	<i>Ares Management (Nov. 22)</i>	<i>Ares Management (Dec. 12)</i>	<i>CEA</i>
<i>Equity Portion of Payment to MOA (= Purchase Price - \$525m debt - \$17m defeasance)</i>	\$308 - \$408	\$333 - \$508	\$233 - \$283	\$263	\$83-\$103	\$208 - \$248	\$340.3 = \$170 at closing + PV \$170.3 in annual payments
<i>ML&P Debt (= \$525m + \$17m defeasance)</i>	\$542	\$542	\$542	\$542	\$542	\$542	\$542
<i>PILT/Property Tax (\$9M, escalating at 1% after year 30, 10000 yrs, 5%)</i>	\$0	\$0	\$189.8	\$189.8	\$189.8	\$189.8	\$142.1 PV (30 Years)
<i>Total</i>	\$850 - \$950	\$875- \$1050	\$964.8 - \$1014.8	\$994.8	\$814.8- \$834.8	\$939.8 - \$979.8	\$1,024.4



FEATURED

GVEA shows interest in Anchorage utility

Amanda Bohman abohman@newsminer.com Feb 14, 2018 (0)

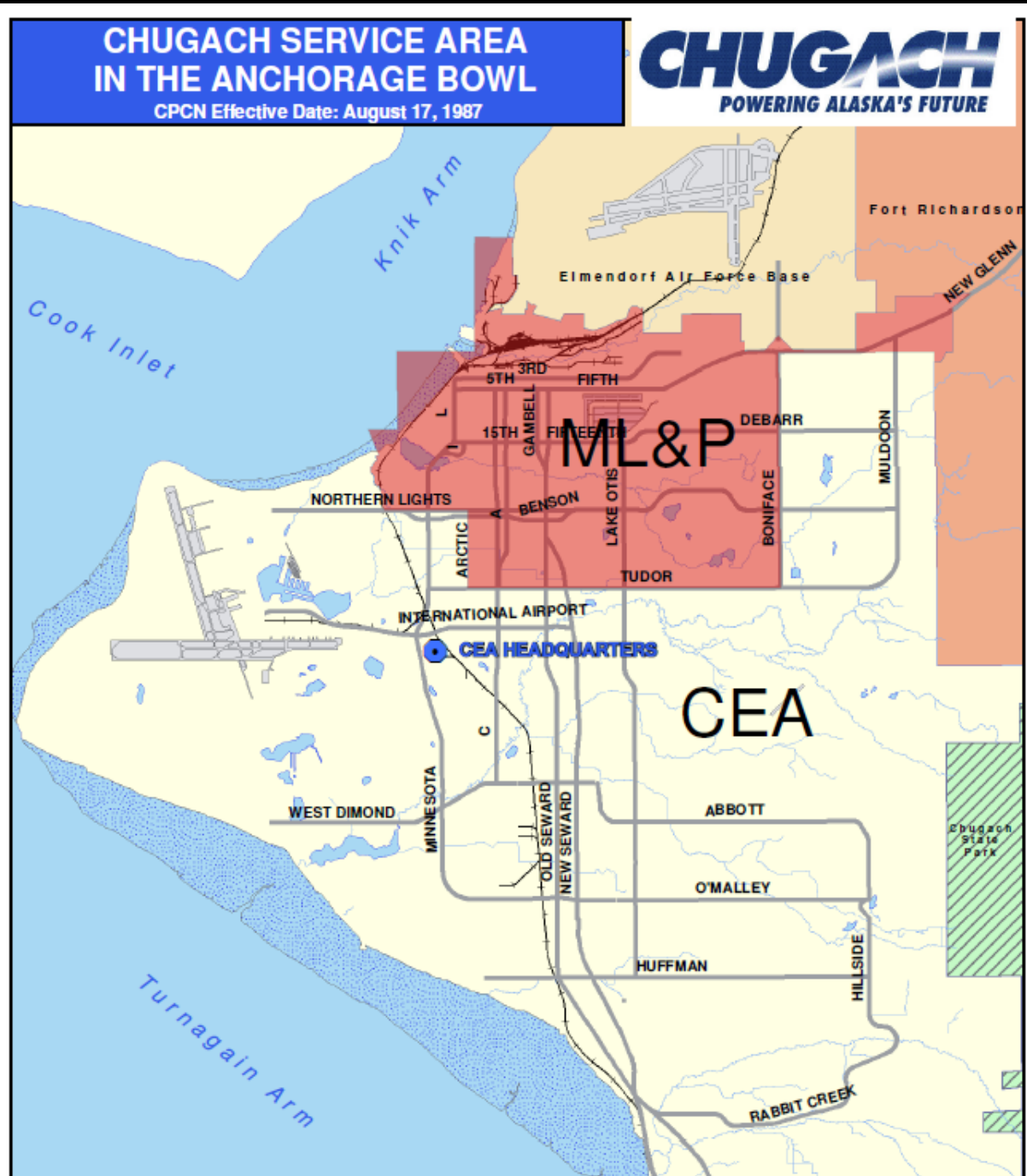
"It's not an offer," Borgeson said. "This is a little bit of a defensive move. There is concern that if we lose one of our major suppliers that we may see higher costs of energy from the Anchorage area."

Borgeson said the sale of ML&P is good for the Railbelt utilities, including the Matanuska Electric Association, providing opportunity for cooperation among the power providers and
"a chance to address all of the issues and try to build a better working group."

Anchorage Municipal Light & Power Acquisition Proposals

	<i>GVEA</i>	<i>Avista Corp.</i>	<i>CIRI Energy</i>	<i>Ares Management</i>	<i>Chugach Electric Association</i>
<i>Employees</i>	2 years retention	3 years retention	4 years retention for non-executive employees	No plans to terminate any employees	No layoffs as a result of the sale
<i>Electric Rates</i>	2 Years frozen	3 Years frozen	Non-COPA rates frozen for 4 years	As included in outstanding rate case	No increase to non-COPA rates as a result of the sale
<i>Expected Closing Date</i>	Not specified	1/1/2019	Not specified	1/1/2019	September 2, 2019; earlier if IRS ruling received to retire ML&P debt w/o penalty
<i>Closing Considerations</i>	Not Specified	<p>RCA and all other necessary approvals are received</p> <p>Approval of Board of Directors is received</p> <p>Approval by Hydro One, the Canadian firm acquiring Avista may be required depending on the timing of both transactions</p>	<p>RCA approval of acquisition</p> <p>Successful outcome of outstanding rate case</p> <p>Successful negotiation of final terms of Southcentral Power Pool</p> <p>Resolution of CEA'S ROFR of SPP</p>	<p>RCA approval of acquisition</p> <p>Successful outcome of outstanding rate case</p> <p>A special purpose Delaware limited liability company will be created solely for transaction</p> <p>Proposed purchase price conditional upon obtaining 3rd party debt financing</p>	<p>RCA approval of transaction</p> <p>Subject to Chugach receiving necessary ruling from IRS RE: defeasance of bonds at a cost and on terms acceptable to Chugach</p> <p>Chugach has obtained funds sufficient to pay upfront consideration and defeasance of outstanding debt</p>
<i>Rating</i>	N/A	Moody's: Baa1 / S&P: BBB	N/A	N/A	S&P: A- / Fitch: A
<i>Utility Operating Experience</i>	Yes	Yes	None Directly	None	Yes

- Competitive Price
- Beluga River Decommissioning
- Rates
- Local economy (i.e. profits and jobs)
- Local control
- Railbelt Consolidation





MUNICIPALITY OF
ANCHORAGE

Mayor asks voters to authorize sale of Municipal Light & Power on April 2018 Ballot

\$1 billion sale seizes opportunity to increase efficiencies, stabilize rates for Anchorage residents

12/21/2017

[Mayor's Corner](#)

Anchorage, AK—Today Mayor Ethan Berkowitz announced that he will ask the Anchorage Assembly to place a proposition on the April 2018 municipal ballot allowing voters to authorize the sale of Municipal Light & Power (ML&P) to Chugach Electric Association, Inc. (Chugach). The announcement comes after urging from both the local business community and Anchorage Assembly to explore unification opportunities between the two utilities. "This proposal represents a great opportunity—it protects taxpayers and ratepayers. It helps secure Anchorage's fiscal and energy future," said Mayor Ethan Berkowitz.

The final determination to recommend a sale to Chugach comes after a long and diligent process led by Mayor Berkowitz to ensure that any decision is in the best interest of all Anchorage residents. At the end of this process, the recommendation for a sale to Chugach was decided based on the following principles:

- Chugach proposed a competitive price for the purchase price of ML&P
- Chugach agreed that rates would not be raised as a result of this sale
- Chugach agreed there would be no layoffs as a result of this sale



Chugach-ML&P Consolidation
Enterprise and Utility Oversight Committee Meeting
December 21, 2017





Municipality of Anchorage

April 3, 2018

Regular Election Calendar

907-243-VOTE (8683)

www.muni.org/elections

elections@muni.org

Date	Action	Code Reference as of September 13, 2017
January 9, 2018 (Tuesday)	Introduction of Ordinances Containing Ballot Propositions for the April Ballot to Allow for Public Hearing (Regular Assembly Meeting)	AMC 28.20.015 (not later than 63 days prior) plus Charter 10.01(b) (public hearing at least 7 days after introduction)
January 18, 2018 (Thursday)	Notice of Vacancy Published	AMC 28.20.030 (at least 74 days)
January 19, 2018 (Friday)	Filing For Office Opens 8:00 a.m.	AMC 28.30.030C (not earlier than 74 days)
January 19, 2018 (Friday)	Recommended Date to Submit Referendum Petition Signatures to Appear on April 3, 2018 Regular Election Ballot	Charter 3.02 (b) (not later than 75 days)
January 23, 2018 (Tuesday)	Final Public Hearing/Action on Ordinances containing Ballot Propositions (Regular Assembly Meeting)	AMC 28.20.015 (not later than 63 days prior)
January 29, 2018 (Monday)	Last Day to Submit Initiative Petition Signatures to Appear on April 3, 2018 Regular Election Ballot	Charter 3.02 (b) (at least 45 days plus 10 days to certify) and AMC 28.20.040A.1 (Plus 7 days for notice to the paper)
February 2, 2018 (Friday)	Filing for Office Closes at 5:00 p.m.	AMC 28.30.030C (not later than 60 days)
February 6, 2018 (Tuesday)	Last Day for Candidates to Withdraw from ballot	AMC 28.30.030D (not later than 56 days)
February 16, 2018 (Friday)	Notice of Election Published	AMC 28.20.040A.1 (at least 45 days)
March 4, 2018 (Sunday)	Notice of Bonded Indebtedness Published	AMC 28.20.060A (at least 30 days)
March 4, 2018 (Sunday)	Last Day to Register to Vote in April 3, 2018 Regular Election	AMC 28.30.010A.3 (at least 30 days)
March 13, 2018 (Tuesday)	Ballot Packages Mailed to all Qualified Anchorage Voters	AMC 28.20.050A (at least 20 days)
March 13, 2018 (Tuesday)	Secure Drop Boxes are Opened	AMC 28.11.080A.2
March 13, 2018 (Tuesday)	Ballot Envelope Review Begins	AMC 28.70.010 (Upon Receipt)
March 14, 2018 (Wednesday)	(Tentative) Notice of Accessible Vote Centers Published	AMC 28.20.050A (at least 20 days)
March 26, 2018 (Monday)	Accessible Vote Centers Open (Loussac Library, City Hall and Eagle River Town Center)	AMC 28.50.030C (At least 7 days)
April 2, 2018 (Monday)	Notice of Election, (Tentative) Accessible Vote Centers and Bonded Indebtedness Published	AMC 28.20.040B (not later than 1 day before)
April 3, 2018 (Tuesday)	Regular Municipal Election - All Ballot Envelopes Must be Postmarked on or Before Election Day or returned to a Secure Drop Box or Accessible Vote Center by 8:00 p.m.	AMC 28.20.010A and AMC 28.50.030
April 13, 2018 (Friday)	Election Commission Meeting and Public Canvass: Adoption of Report and Unofficial Election Results Published	AMC 28.85.010A (on or before 3 rd Friday after Election Day)
April 17, 2018(Tuesday)	Certification of Regular Municipal Election	AMC 28.80.060

Municipal Clerk's Office

Approved

Date: January 23, 2018

Submitted by: Chair of the Assembly at the
Request of the Mayor

Prepared by: Department of Law

For reading: January 19, 2018

ANCHORAGE, ALASKA
AO No. 2018-1(S)

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.
6

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
13

ANCHORAGE MUNICIPAL CHARTER,

a.k.a the

Section 14.03. - Tax increase limitation.

“TAX CAP”



(a) Except as provided in this section, the total amount of municipal tax that can be levied during a fiscal year shall not exceed the total amount approved by the assembly for the preceding year by more than a percentage determined by adding the average percentage increase in the Federal Consumer Price Index for Anchorage from the preceding five fiscal years plus the average percentage growth or loss in the Anchorage municipal population over the preceding five fiscal years as determined by the state department of community and regional affairs.

(1) The "total amount of the municipal tax that can be levied during a fiscal year" and the "total amount approved by the assembly for the preceding year" in subsection (a) of this section shall include all payments in-lieu of taxes paid or to be paid by any Municipality of Anchorage utility, department, agency or public corporation or authority.

ANCHORAGE MUNICIPAL CHARTER,

Section 13.11. - Trust fund.



(a) When a municipal owned utility is sold pursuant to [section 16.02](#) of this Charter, the proceeds shall be used to:

- (1) Retire the debt of that utility;
- (2) Retire other municipal debt deemed appropriate by the assembly;
- (3) Establish a trust fund with the balance of the proceeds.



ML&P Payment	\$ (million)
<u>MUSA</u> (Municipal Utility Service Assessment)	
Local ILT (Payment in Lieu of Tax)	~\$9
<u>Intergovernmental Charges</u>	~\$4
<u>Dividend</u>	~\$0 - \$7
Annual Value to Municipality	~\$13 - \$7

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

Section 16.04 **Disposal of Municipal Light & Power to Chugach Electric Association, Inc.; 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 approved no later than December 31, 2018, 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.

- **Payment of Competitive Value.** Chugach Electric would pay a competitive value of approximately \$1 billion for the acquisition of ML&P, subject to adjustment during the due diligence process.

Proceeds will be used to:

1. Retire ML&P and Municipality of Anchorage debt;
2. Replace ML&P's current payments in-lieu-of-tax to ensure that property and other taxes subject to the cap cannot rise as the result of the sale; and
3. Fund the MOA Trust Fund. The MOA Trust Fund is a permanent, protected fund with dividends payable only in accordance with a controlled spending policy adopted by law.

Any change in the use of the proceeds may be made only with approval of the majority of qualified voters voting on the question.

ANCHORAGE MUNICIPAL CHARTER,

Section 13.11. - Trust fund.



(a) When a municipal owned utility is sold pursuant to [section 16.02](#) of this Charter, the proceeds shall be used to:

- (1) Retire the debt of that utility;
- (2) Retire other municipal debt deemed appropriate by the assembly;
- (3) Establish a trust fund with the balance of the proceeds.

- **Payment of Competitive Value.** Chugach Electric would pay a competitive value of approximately \$1 billion for the acquisition of ML&P, subject to adjustment during the due diligence process.

Proceeds will be used to:

1. Retire ML&P and Municipality of Anchorage debt;
2. Replace ML&P's current payments in-lieu-of-tax to ensure that property and other taxes subject to the cap cannot rise as the result of the sale; and
3. Fund the MOA Trust Fund. The MOA Trust Fund is a permanent, protected fund with dividends payable only in accordance with a controlled spending policy adopted by law.

Any change in the use of the proceeds may be made only with approval of the majority of qualified voters voting on the question.

Section 16.02. - Disposal of utilities.



The municipality may sell, lease, or otherwise dispose of a municipal utility only pursuant to an ordinance or initiative proposition approved by three-fifths of the qualified voters voting on the question. If the disposal of the utility is by ordinance, the municipality may dispose of a municipal utility only to the highest responsive bid received by the municipality from a responsible bidder to a competitive procurement. The assembly shall provide for such competitive bidding by ordinance, and shall provide a description of the factors that will be considered in evaluation of the bids, including the relative weight of price and other evaluation factors.

- Any Buyer
- Any Price
- Any Terms
- Any Timeline

SALE OF ATU

SUMMARY

Upon approval of the ballot proposition, a competitive invitation to bid process to sell ATU will be pursued by the Municipality for a period of (2) years from the certification of the election. ATU will be sold to the highest responsible bidder from a responsible bidder for an amount equal to or exceeding fair market value.

BALLOT PROPOSITION

Shall the Municipality of Anchorage sell the Anchorage Telephone Utility for an amount equal to or exceeding fair market value?

The Assembly has approved an ordinance directing that the ATU sale proceeds be used to retire ATU's outstanding debt and to establish a Trust Fund, the income from which, after inflation-proofing, shall be used to (1) replace the annual dividend currently received from ATU, (2) reduce property taxes, and (3) reinvest in the Trust Fund. Any change of the use of proceeds from the ATU sale may be accomplished only with approval of a majority of the qualified voters voting on the question. (AO 98-44(S-2))

YES
NO

+
+

Section 16.02. - Disposal of utilities.



The municipality may sell, lease, or otherwise dispose of a municipal utility only pursuant to an ordinance or initiative proposition approved by three-fifths of the qualified voters voting on the question. If the disposal of the utility is by ordinance, the municipality may dispose of a municipal utility only to the highest responsive bid received by the municipality from a responsible bidder to a competitive procurement. The assembly shall provide for such competitive bidding by ordinance, and shall provide a description of the factors that will be considered in evaluation of the bids, including the relative weight of price and other evaluation factors.

- Any Buyer
- Any Price
- Any Terms
- Any Timeline
- Risk of poor criteria

- Identified Buyer
- Indicated Price
- Specified Terms
- Fixed Timeline

PROPOSITION 10

CHARTER AMENDMENT AND SALE OF ML&P TO CHUGACH ELECTRIC

If approved by a majority of qualified voters voting on the question, this proposition would amend the Anchorage Municipal Charter and authorize (but not require) the Municipality to sell by Assembly Ordinance approved no later than December 31, 2018, the assets and business of Municipal Light & Power (ML&P) to Chugach Electric Association, Inc. (Chugach Electric).

PROPOSITION 10

CHARTER AMENDMENT AND SALE OF ML&P TO CHUGACH ELECTRIC

If approved by a majority of qualified voters voting on the question, this proposition would amend the Anchorage Municipal Charter and authorize (but not require) the Municipality to sell by Assembly Ordinance approved no later than December 31, 2018, the assets and business of Municipal Light & Power (ML&P) to Chugach Electric Association, Inc. (Chugach Electric).

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

- **Payment of Competitive Value.** Chugach Electric would pay a competitive value of approximately \$1 billion for the acquisition of ML&P, subject to adjustment during the due diligence process.

Proceeds will be used to:

1. Retire ML&P and Municipality of Anchorage debt;
2. Replace ML&P's current payments in-lieu-of-tax to ensure that property and other taxes subject to the tax cap cannot rise as the result of the sale; and
3. Fund the MOA Trust Fund. The MOA Trust Fund is a permanent, protected fund with dividends payable only in accordance with a controlled spending policy adopted by law.

Any change in the use of the proceeds may be made only with approval of the majority of qualified voters voting on the question.

- **Retention of Employees.** Chugach Electric would commit to not lay off any ML&P or Chugach Electric employees as a result of the transaction, and would succeed to all rights and obligations of the collective bargaining agreement covering ML&P employees.

- **No Increase in Base Rates.** Base rates for existing ML&P and Chugach Electric ratepayers would not increase as a result of the transaction.

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

Section 16.04 Disposal of Municipal Light & Power to Chugach Electric Association, Inc.; 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 approved no later than December 31, 2018 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 16.04(a), 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 2018-1(S))

YES

NO

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

- **Payment of Competitive Value.** Chugach Electric would pay a competitive value or approximately \$1 billion for the acquisition of ML&P, subject to adjustment during the due diligence process.
- **Retention of Employees.** Chugach Electric would commit to not lay off any ML&P or Chugach Electric employees as a result of the transaction, and would succeed to all rights and obligations of the collective bargaining agreement covering ML&P employees.
- **No Increase in Base Rates.** Base rates for existing ML&P and Chugach Electric ratepayers would not increase as a result of the transaction.



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Most Popular ▼

How Do I...? ▼

Municipal Departments ▼



2018 Regular Municipal Election Calendar

Municipal Election Center - 619 E Ship Creek
Avenue, Ste. 100 - Upcoming Tour Dates:

VOTE BY MAIL - Tuesday, April 3, 2018

IMPORTANT: Voter registration deadline is Sunday, March 4.



CHUGACH

POWERING ALASKA'S FUTURE



Regulatory Commission of Alaska

Protecting consumer interests. Promoting economic development.

[What's New at the RCA](#)

[RCA Exchange](#)

[For Consumers](#)

[For Legislators](#)

[RCA Library](#)

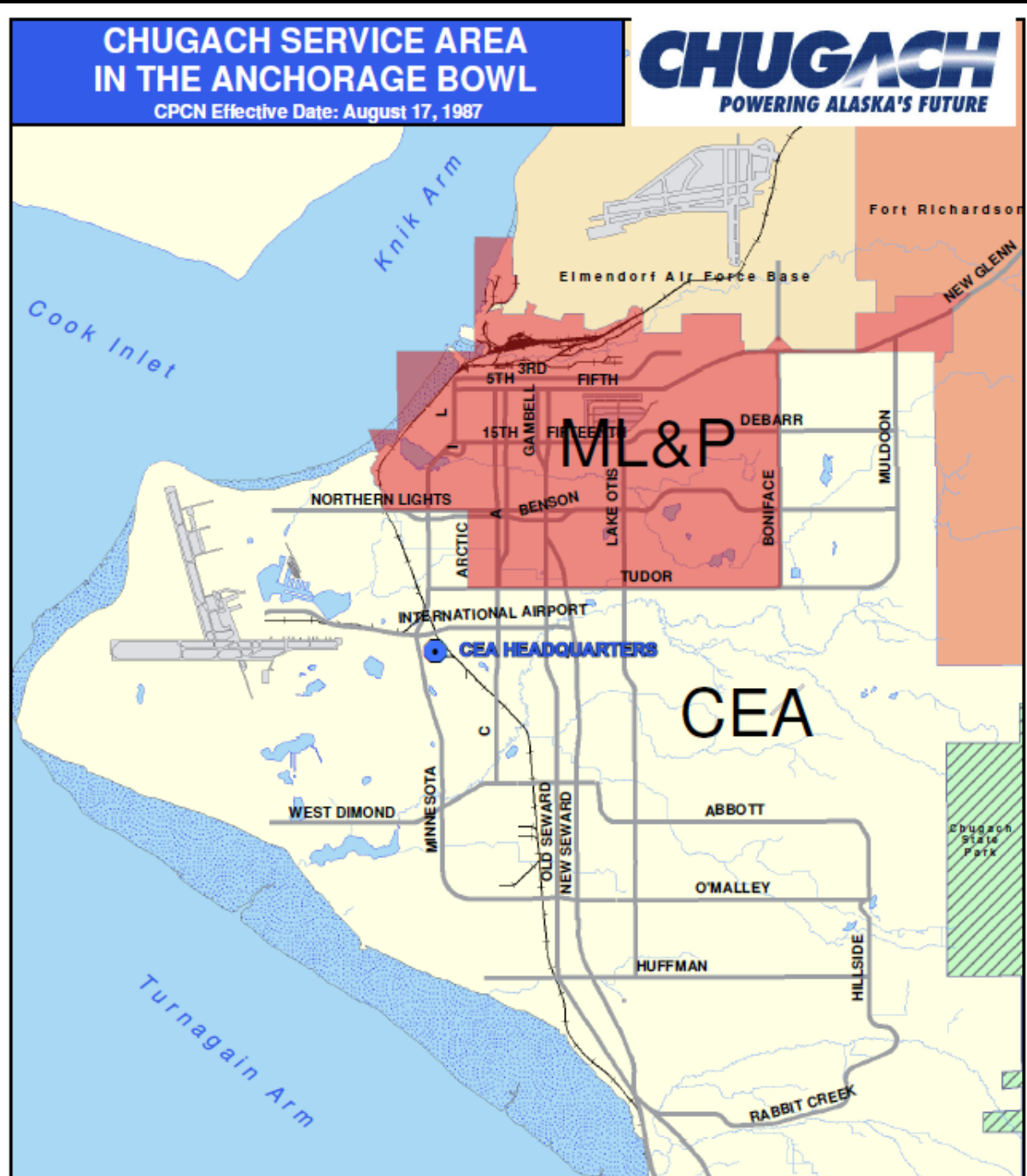
[Programs and Utilities](#)

[Provisional Certification](#)

* nam



- Price
- Beluga River Decommissioning
- Rates
- Local economy (i.e. profits and jobs)
- Local control
- Railbelt Consolidation





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

Section 16.04 **Disposal of Municipal Light & Power to Chugach Electric Association, Inc.; 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 approved no later than December 31, 2018, sell, lease, or otherwise dispose of all or part of the assets and business of Municipal Light & Power to Chugach Electric Association, Inc.



THE CONSTITUTION OF THE STATE OF ALASKA

Adopted by the Constitutional Convention February 5, 1956

Ratified by the People of Alaska April 24, 1956

Became Operative with the Formal Proclamation of Statehood January 3, 1959

Article X – Local Government

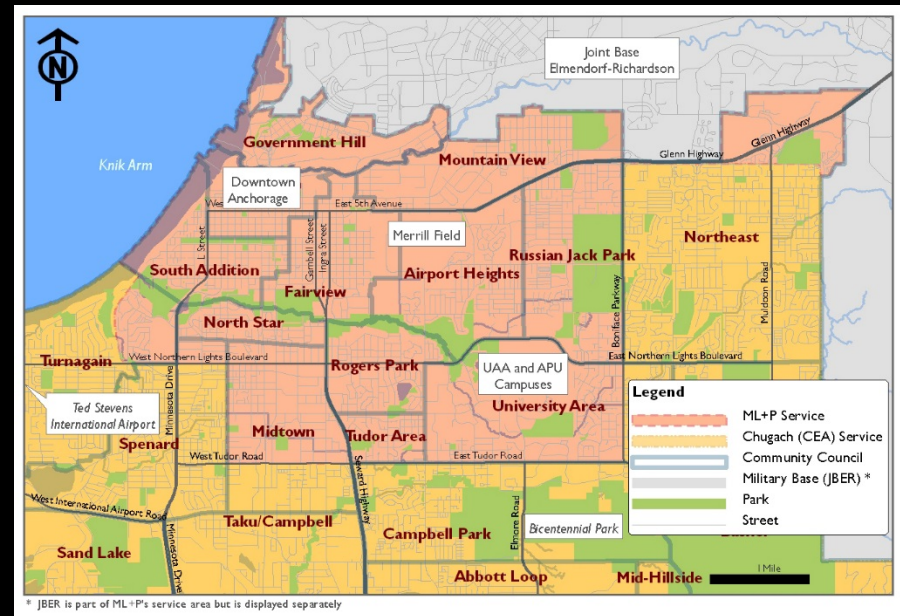
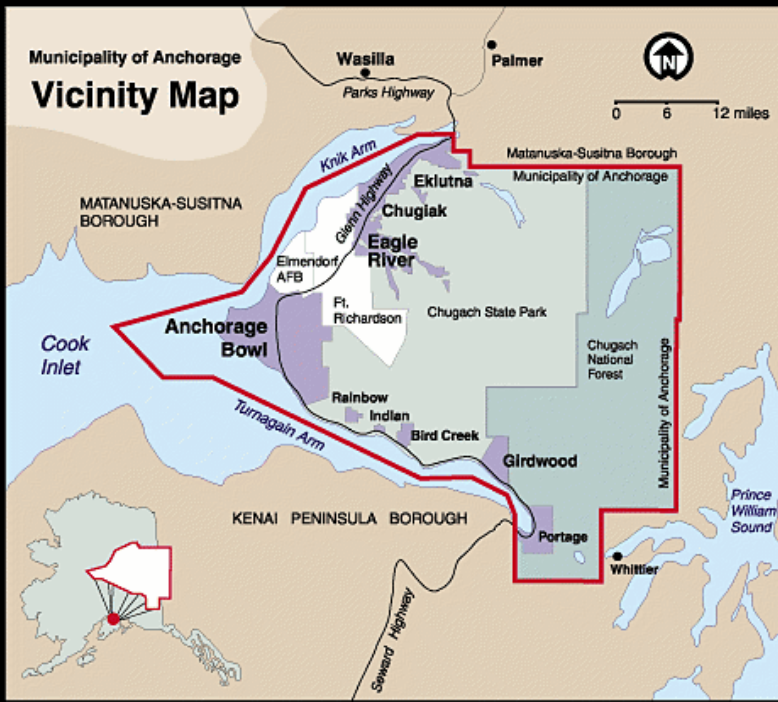
§ 9. Charters

The qualified voters of any borough of the first class or city of the first class may adopt, amend, or repeal a home rule charter in a manner provided by law. In the absence of such legislation, the governing body of a borough or city of the first class shall provide the procedure for the preparation and adoption or rejection of the charter. All charters, or parts or amendments of charters, shall be submitted to the qualified voters of the borough or city, and shall become effective if approved by a majority of those who vote on the specific question.

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

Section 16.04 Disposal of Municipal Light & Power to Chugach Electric Association, Inc.; Disposition of Assets & Liabilities.

A. ML&P to Chugach Electric Association, Inc. 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 approved after December 31, 2018, sell, lease, or otherwise dispose of all or part of the assets and business of Municipal Light & Power to Chugach Electric Association, Inc.



* JBBER is part of ML+P's service area but is displayed separately

1975-1981

Section 19.14. - Utility profits preserved.

(a) Utilities owned by the former City of Anchorage shall continue to be operated in such a manner as to provide a reasonable profit, in accordance with the applicable regulations of the Alaska Public Utilities Commission. Net profits from the operations of the utilities, for a period of five years after ratification of this Charter, shall be applied for the benefit of the service area created by this Charter in the area of the former City of Anchorage.

Section 16.02. - Disposal of utilities.



The municipality may sell, lease, or otherwise dispose of a municipal utility only pursuant to an ordinance or initiative proposition approved by three-fifths of the qualified voters voting on the question. If the disposal of the utility is by ordinance, the municipality may dispose of a municipal utility only to the highest responsive bid received by the municipality from a responsible bidder to a competitive procurement. The assembly shall provide for such competitive bidding by ordinance, and shall provide a description of the factors that will be considered in evaluation of the bids, including the relative weight of price and other evaluation factors.

- Any Buyer
- Any Price
- Any Terms
- Any Timeline

- Competitive Price
- Beluga River Decommissioning
- Rates
- Local economy (i.e. profits and jobs)
- Local control
- Railbelt Consolidation

