

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

Prepared by: Municipal Light and Power

For reading: June 26, 2007

CLERK'S OFFICE

APPROVED

Date: 7-24-07

ANCHORAGE, ALASKA

AR NO. 2007-162

A RESOLUTION APPROPRIATING NINETEEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$19,500,000) FROM THE ALASKA ENERGY AUTHORITY TO MUNICIPAL LIGHT & POWER (FUND 531), AUTHORIZING MUNICIPAL LIGHT & POWER TO ACT AS PROJECT MANAGER IN CONSTRUCTING THE TEELAND/DOUGLAS TRANSMISSION LINE UPGRADE PROJECT FOR THE STATE OF ALASKA, ALASKA ENERGY AUTHORITY, AND REVISING THE 2007 CAPITAL IMPROVEMENT BUDGET FOR MUNICIPAL LIGHT AND POWER.

WHEREAS, in 2002, the Alaska State Legislature appropriated \$20.3 million for the Alaska Energy Authority (AEA) to upgrade and extend the State-owned Anchorage to Fairbanks power transmission intertie ("Intertie") that AEA, after consultation with other Railbelt electric utilities, desires to use by constructing a new 230 kV transmission line segment located in the Matanuska-Susitna Borough and lying within the southern one-half of the Intertie between the Teeland substation on the Knik Goose Bay Road to the south and the Douglas substation on the Willow-Fishhook Road to the north (the "Teeland/Douglas Transmission Line Upgrade Project" or "Project"); and

WHEREAS, the Alaska Intertie is a critical component of the Railbelt energy infrastructure, joining the power resources in the northern and southern portions of the Railbelt, and constituting an integral link in the Intertie; and

WHEREAS, there is public need for replacing an existing approximate 25-mile segment of the Intertie as it is below the State's reasonably necessary minimum 230 kV transmission line standard for the Intertie. Further, it contains a 20-mile sub-segment, owned by Matanuska Electric Association, Inc. (MEA) and currently operated for Intertie purposes only under order of the Regulatory Commission of Alaska until alternate transmission facilities are constructed, tested, and energized; and

WHEREAS, a preliminary feasibility study for the AEA evaluated various route alternatives and costs for the Teeland/Douglas Project with a preliminary cost estimate update as of August 1, 2006, and based on the study and update the Project is a feasible undertaking within \$19.5 million of the foregoing Legislative appropriation AEA budgeted for the Project under a reimbursable costs agreement with the selected Project Manager; and

WHEREAS, ML&P is the designated operator of the southern portion of the Intertie, including the Douglas to Teeland segment, receives substantial economic and operational benefits from the Intertie, has an opportunity from AEA to serve as Project Manager in constructing the Project, and ML&P is ready, willing, and able to undertake the Project based upon the terms and conditions set out in the accompanying Assembly Memorandum; and

47 **WHEREAS**, the ML&P Commission found it is in the public interest and highly beneficial for
48 ML&P to undertake the Project, and recommends the Municipality of Anchorage Assembly
49 approve ML&P as the project manager; now, therefore,
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51 THE ANCHORAGE ASSEMBLY RESOLVES:
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53 **Section 1:** The Municipality of Anchorage may enter into an agreement to serve as Project
54 Manager for the AEA in constructing the Teeland/Douglas Transmission Line Upgrade Project
55 based upon the terms and conditions set out in the accompanying Assembly Memorandum.
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57 **Section 2:** The sum of **NINETEEN MILLION FIVE HUNDRED THOUSAND**
58 **DOLLARS (\$19,500,000)** is appropriated to ML&P (Fund 531) from AEA payments for the
59 purpose of performing work as Project Manager in construction of the Teeland/Douglas
60 Transmission Line Upgrade Project, and the ML&P Capital Budget is hereby revised as follows:
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<u>Fund</u>	<u>Utility</u>	<u>Capital Budget</u>
531	Municipal Light & Power	\$60,667,000

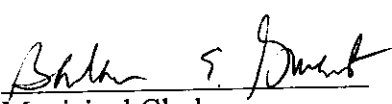
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65 **Section 3:** This resolution takes effect immediately upon passage and approval by the
66 Assembly.
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68 PASSED AND APPROVED by the Anchorage Assembly this 24th day of
69 July, 2007.
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Chair

ATTEST:


Municipal Clerk



MUNICIPALITY OF ANCHORAGE
ASSEMBLY MEMORANDUM
AM No. 421-2007

Meeting Date: June 26, 2007

From: MAYOR

Subject: A RESOLUTION APPROPRIATING NINETEEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$19,500,000) FROM THE ALASKA ENERGY AUTHORITY TO MUNICIPAL LIGHT & POWER (FUND 531), AUTHORIZING MUNICIPAL LIGHT & POWER TO ACT AS PROJECT MANAGER IN CONSTRUCTING THE TEELAND/DOUGLAS TRANSMISSION LINE UPGRADE PROJECT FOR THE STATE OF ALASKA, ALASKA ENERGY AUTHORITY, AND REVISING THE 2007 CAPITAL IMPROVEMENT BUDGET OF MUNICIAPAL LIGHT AND POWER.

ML&P requests authorization to serve as Project Manager for the State of Alaska, Alaska Energy Authority (AEA) in building a new approximately 25-mile 230 kV segment of the State-owned Anchorage to Fairbanks electric power transmission line intertie (Intertie). An agreement for the work is waiting execution by the parties.

Built through the mid-1980s, the 170-mile high voltage Intertie constitutes the only infrastructure for bulk energy transfers between the northern and southern Railbelt communities and is an essential component for continuing provision of reliable and affordable power so critical to the total Railbelt's economic and social well-being. As described by the Regulatory Commission of Alaska:

The Intertie is the vital link between power resources in the northern and southern portions of the Railbelt. The Intertie enables northern utilities such as GVEA [in Fairbanks] to obtain power from resources such as Bradley Lake [Homer]. This linkage allows GVEA customers to benefit from that lower cost hydroelectric resource. The Intertie also enables southern utilities such as Chugach [and ML&P] to sell economy energy to GVEA. In addition to the benefit to GVEA's customers [through avoidance/minimization of blackouts and/or installation of inefficient increments of generation], Chugach's [and ML&P's] customers benefit from such sales because they are limited to [e]xcess capacity [which] does not interfere with Chugach's [and ML&P's] customers' services and the revenues from the economy energy sales help reduce their rates.

RCA Docket U-03-100, Order No. 4 at p. 4 (12/31/04).

1 In 2002, the Alaska Legislature appropriated \$20.3 million to AEA for upgrade and
2 extension of the Intertie to the Teeland substation. AEA budgeted \$19.5 million of the
3 appropriation for the project's construction and \$0.8 million for AEA's direct expenses (of
4 which approximately \$152,000 has already been spent on a preliminary study). Any
5 balance remaining from the \$0.8 million will serve as a construction contingency fund if
6 necessary and otherwise spent on related projects, as approved by AEA and the Railbelt
7 utilities.

8
9 The geographic area for the new segment is depicted on the map in the accompanying
10 attachment 1, and the work is generally referred to as the Teeland/Douglas Transmission
11 Line Upgrade Project (Project). The Project lies within the southern one-half of the
12 Intertie; ML&P is the designated operator of the southern one-half of the Intertie by AEA
13 and the other utilities participating in management of the Intertie. More specifically, the
14 new line will be located in the Mat-Su Borough and run between the Intertie's Teeland
15 substation on the Knik Goose Bay Road to the south and its Douglas substation on the
16 Willow-Fishhook Road to the north.

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18 Once completed and energized, the Project replaces an approximate 25-mile segment of
19 the Intertie, consisting of 20 miles of 115 kV line owned by Matanuska Electric
20 Association, Inc. (MEA) and formerly operated by AEA at 138 kV under an agreement
21 with MEA. The agreement expired and MEA did not desire to renew it. This led to a
22 petition by the affected utilities before the RCA to compel continued joint use and
23 interconnection of the segment for Intertie purposes until alternate transmission facilities
24 are constructed, tested and energized. The remaining approximate five miles of the 25
25 miles of Intertie being replaced consists of a 138 kV transmission line built in the 1980s by
26 AEA in MEA easements, with the AEA/MEA agreement for this line providing for
27 transfer to MEA in 2018 or earlier if no longer used for Intertie purposes. At all times,
28 MEA may use the line for its own transmission needs as well as add or "underbuild" its
29 own distribution lines onto the facility.

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31 The Project bypasses a critical, but contentious, segment of the Intertie among the Railbelt
32 utilities. Of greater importance, the new line provides a major upgrade as the existing 115
33 and 138 kV Intertie segment will be replaced by a 230 kV line dedicated exclusively to
34 Intertie transmission. Construction to this minimum standard is necessary for expected
35 loads during the useful life of the Project, along with safer and more efficient transmission
36 of lower voltages. In sum, the Project completes the State's wholly-owned electric power
37 infrastructure for the Railbelt, as initially intended but suspended when the economy
38 experienced the severe crises of 1986 and following years.

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40 The engineering firm of Dryden & LaRue, which has done a great deal of engineering
41 work on transmission lines and the Intertie for both ML&P and AEA, prepared the earlier-
42 referenced preliminary study for AEA in 2004 of routes and estimated costs for the Project,
43 which it also updated August 1 of this past year. The preliminary evaluation, including
44 costs update, indicates that the Project will be feasible within the Legislative appropriation
45 including allowance under the reimbursable Project Agreement with AEA of a 10%

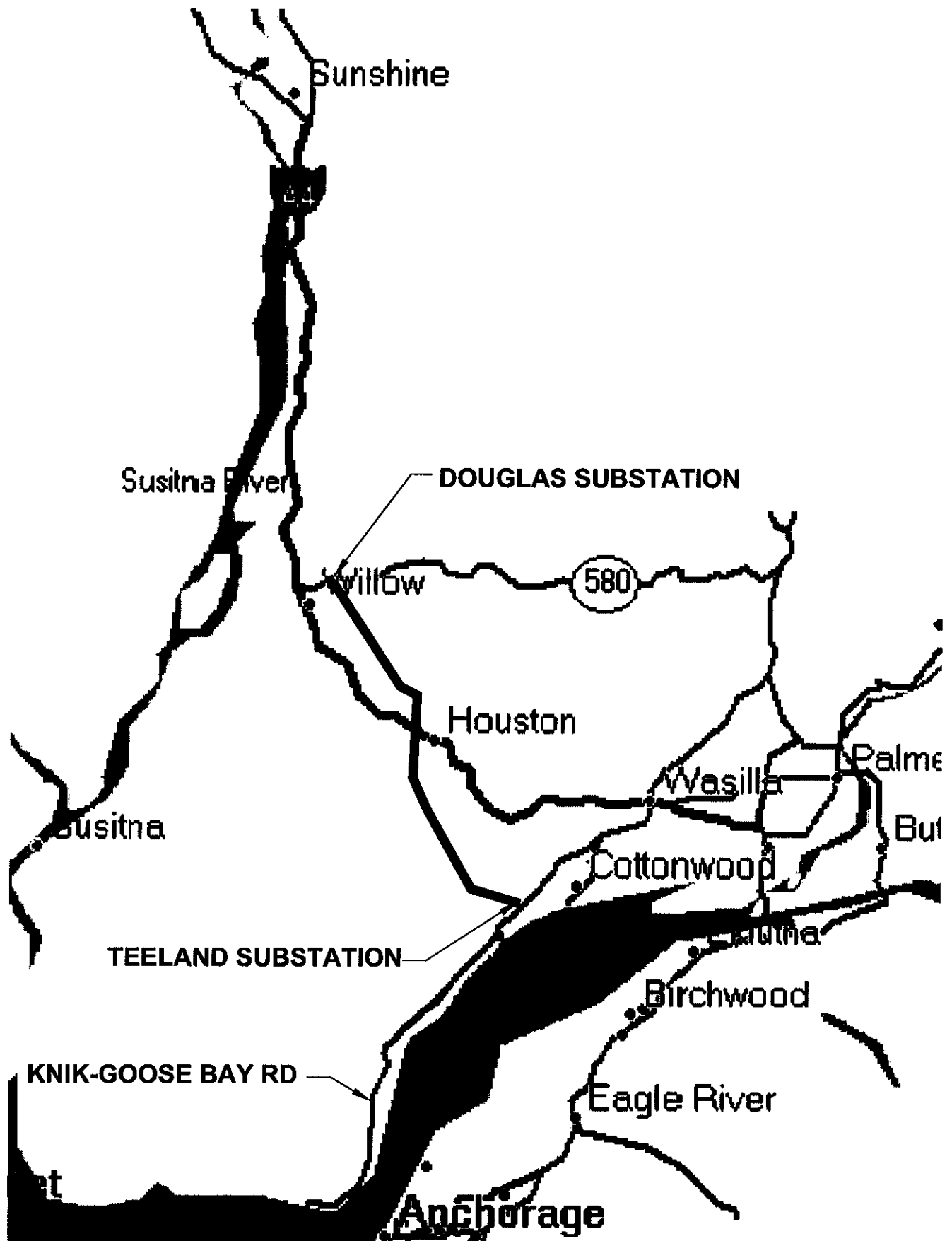
1 Administrative and Overhead expense for ML&P. If a financial shortage for completion of
2 the Project should materialize at any time under the original appropriation, AEA, ML&P
3 and the other utilities will have to consult on whether and how to complete the Project,
4 including potentially through supplemental funding by one or more utilities if it or they
5 should so decide. But there is no penalty to ML&P if the Project is terminated.

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7 The Intertie is vital to the Railbelt utilities, and has proven very beneficial economically
8 and operationally to ML&P. The Project promises to further operational and economic
9 benefits, and the Project itself is financially beneficial to ML&P as the project manager.
10 As the designated operator of the southern portion of the Intertie, ML&P is reasonably
11 situated to undertake the Project.

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13 **THE ADMINISTRATION RECOMMENDS APPROVAL OF A RESOLUTION**
14 **APPROPRIATING NINETEEN MILLION FIVE HUNDRED THOUSAND**
15 **DOLLARS (\$19,500,000) FROM THE ALASKA ENERGY AUTHORITY TO**
16 **MUNICIPAL LIGHT & POWER (FUND 531) AND AUTHORIZING MUNICIPAL**
17 **LIGHT & POWER TO ACT AS PROJECT MANAGER IN CONSTRUCTING THE**
18 **TEELAND/DOUGLAS TRANSMISSION LINE UPGRADE PROJECT FOR THE**
19 **STATE OF ALASKA, ALASKA ENERGY AUTHORITY.**

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22 Prepared by: Municipal Light & Power
23 Approved by: James M. Posey, General Manager
24 Municipal Light & Power
25 Concur/Certification: Jeffrey E. Sinz, Chief Fiscal Officer
26 Fund 531, ML&P Capital Fund
27 Concur: Denis C. LeBlanc, Municipal Manager
28 Respectfully submitted, Mark Begich, Mayor
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TEELAND-DOUGLAS TRANSMISSION LINE PROJECT



Content Information

Content ID : 005207

Type: AR_FundsApprop - Funds Approp Resolution

A RESOLUTION APPROPRIATING NINETEEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$19,500,000) FROM THE ALASKA

Title: ENERGY AUTHORITY TO MUNICIPAL LIGHT & POWER (FUND 531),
AUTHORIZING MUNICIPAL LIGHT & POWER TO ACT AS PROJECT
MANAGER IN CONSTRUCTING THE TEELAND/DOUGL

Author: gray-jacksone

Initiating Dept: MLP

Review Depts: MLP, OMB, Finance, MuniManager

Date Prepared: 6/22/07 2:32 PM

Director Name: James M. Posey

Assembly

Meeting Date 6/26/07

MM/DD/YY:

Public Hearing

Date 7/24/07

MM/DD/YY:

Workflow History

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
FundsAppropWorkflow	6/22/07 2:34 PM	Checkin	gray-jacksone	Public	005207
MLP_SubWorkflow	6/22/07 2:38 PM	Approve	davidovicslr	Public	005207
OMB_SubWorkflow	6/22/07 4:14 PM	Approve	sinzje	Public	005207
Finance_SubWorkflow	6/22/07 4:25 PM	Approve	sinzje	Public	005207
MuniManager_SubWorkflow	6/22/07 4:31 PM	Approve	leblancdc	Public	005207
MuniMgrCoord_SubWorkflow	6/22/07 4:32 PM	Approve	hensleymb	Public	005207

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 M.O.A
 CLEMS OFFICE

Ad Anderson —

CONSENT AGENDA - INTRODUCTION