

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(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.
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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 provide a range of its potential market values in a possible
20 sale transaction; and
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22 WHEREAS, MOA received and reviewed multiple expressions of interest from parties
23 interested in a purchase of ML&P; and
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25 WHEREAS, Chugach Electric has proposed a competitive price for purchase of
26 ML&P, consistent with the range of [market] values for [of] ML&P as determined by
27 independent analysis; and
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29 WHEREAS, the purchase of ML&P by Chugach Electric is in the public interest
30 because it will: (1) [consolidate the majority of Anchorage electrical service in a
31 single utility.] increase[ing] efficiencies in power generation, [and] electrical
32 infrastructure, and administrative costs; (2) ensure that Anchorage residents
33 retain [unify] local control over the majority of Anchorage's electrical service, through
34 a utility cooperatively owned by residents of the Municipality; (3) consolidate utility
35 ownership within Alaska's Railbelt; (4) keep proceeds from Anchorage electrical
36 service in the local economy; (5) maintain consistent union representation for ML&P
37 employees; and (6) preserve existing rates for ML&P customers; and
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39 WHEREAS, proceeds of the sale of ML&P to Chugach should be used to ensure that
40 taxes subject to the tax cap cannot rise as a result of the sale, and then to retire debt
41 and to further endow the MOA Trust Fund; now, therefore,
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1 THE ANCHORAGE ASSEMBLY ORDAINS:

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

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

12
13 PROPOSITION _____
14 CHARTER AMENDMENT AND SALE OF ML&P TO CHUGACH ELECTRIC

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16 If approved by a majority of qualified voters voting on the question, this proposition
17 would amend the Anchorage Municipal Charter and authorize (but not require) the
18 Municipality to sell by Assembly Ordinance approved no later than December 31,
19 2018, the assets and business of Municipal Light & Power (ML&P) to Chugach
20 Electric Association, Inc. (Chugach Electric).

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

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25 • Payment of Competitive [Fair Market] Value. Chugach
26 Electric would pay a competitive [market] value of
27 approximately \$1 billion for the acquisition of ML&P, subject
28 to adjustment during the due diligence process.

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30 Proceeds will be used to:

- 31
32 1. Retire ML&P and Municipality of Anchorage debt;
33 2. Replace ML&P's current payments in-lieu-of-tax to
34 ensure that property and other taxes subject to the
35 cap cannot rise as the result of the sale; and
36 3. Fund the

37
38 ~~[The municipality would use a portion of the purchase price to~~
39 ~~repay debt and replace current payments in-lieu-of-tax, and~~
40 ~~deposit the remaining proceeds in the]~~ MOA Trust Fund. The
41 MOA Trust Fund is a permanent, protected fund [endowment]
42 with dividends payable only in accordance with a controlled
43 spending policy adopted by law.

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

- 48
49 • Retention of Employees. Chugach Electric would commit to
50 not lay off [retain all current] any ML&P or Chugach Electric

employees ~~[for a period of at least two (2) years after closing]~~ as a result of the transaction, and would succeed to all rights and obligations of the collective bargaining agreement covering ML&P employees.

~~[* Replacement of Payments In-Lieu-of-Tax. A portion of the payments made by Chugach Electric would replace ML&P's Municipal Utility Service Assessment for the purposes of the municipal tax cap. This structure would ensure that property and other taxes subject to the tax cap cannot rise as a result of the sale.]~~

- No Increase [Change] in Base Rates. Base rates for existing ML&P and Chugach Electric ratepayers would not increase as a result of the transaction ~~[for a period of two (2) years after closing]~~.

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.

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

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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