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**From:** Harris Kretsge (HTS) <Harris.Kretsge@hilltopsecurities.com>  
**Sent:** Friday, February 23, 2018 6:27 PM  
**To:** Dykes, Melissa H. - Chief Financial Officer  
**Subject:** Anchorage

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Hi. This is a little messy as you can see the blacklines. When I get a clean copy, I'll send it to you but this will give you a feel for some of the back and forth. The Anchorage Assembly is their City Council.

Really great talking to you this morning. Have a wonderful weekend!

Harris

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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)**

**AN ORDINANCE SUBMITTING TO THE QUALIFIED VOTERS OF THE MUNICIPALITY OF ANCHORAGE A CHARTER AMENDMENT PERMITTING MUNICIPAL LIGHT & POWER TO BE SOLD TO CHUGACH ELECTRIC ASSOCIATION, INC. AND AUTHORIZING DISPOSAL OF THE PROCEEDS OF SALE.**

**WHEREAS**, the Assembly, via AR 2017-235, urged the Municipality of Anchorage (MOA), Municipal Light & Power (ML&P), and Chugach Electric Association, Inc. (Chugach Electric) to explore opportunities for merger of the ML&P and Chugach Electric utilities in the interest of eliminating duplicative investment in power generation and the local grid and reducing per capita costs of services; and

**WHEREAS**, MOA, ML&P, and Chugach Electric engaged in the recommended discussions and determined that a merger is not possible, but that a sale of ML&P to Chugach Electric could be feasible; and

**WHEREAS**, MOA commissioned an independent analysis to assess ML&P's strategic position and provide a range of its potential market values in a possible sale transaction; and

**WHEREAS**, MOA received and reviewed multiple expressions of interest from parties interested in a purchase of ML&P; and

**WHEREAS**, Chugach Electric has proposed a competitive price for purchase of ML&P, consistent with the range of [market] values for [of] ML&P as determined by independent analysis; and

**WHEREAS**, the purchase of ML&P by Chugach Electric is in the public interest because it will: (1) [consolidate the majority of Anchorage electrical service in a single utility,] increase[ing] efficiencies in power generation, [and] electrical infrastructure, and administrative costs; (2) ensure that Anchorage residents retain [unify] local control over the majority of Anchorage's electrical service, through a utility cooperatively owned by residents of the Municipality; (3) consolidate utility ownership within Alaska's Railbelt; (4) keep proceeds from Anchorage electrical service in the local economy; (5) maintain consistent union representation for ML&P employees; and (6) preserve existing rates for ML&P customers; and

**WHEREAS**, proceeds of the sale of ML&P to Chugach should be used to ensure that taxes subject to the tax cap cannot rise as a result of the sale, and then to retire debt and to further endow the MOA Trust Fund; now, therefore,

**THE ANCHORAGE ASSEMBLY ORDAINS:**

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

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

**PROPOSITION \_\_\_\_\_**  
**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 [Fair Market] Value.** Chugach Electric would pay **a competitive [market] 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[The municipality would use a portion of the purchase price to repay debt and replace current payments in-lieu-of-tax, and deposit the remaining proceeds in the] MOA Trust Fund. The MOA Trust Fund is a permanent, protected fund [endowment] 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 [retain all current] ML&P or Chugach Electric employees as a result [for a period of at least two (2) years**

1 after closing] of the transaction, and would succeed to all rights  
2 and obligations of the collective bargaining agreement covering  
3 ML&P employees.  
4

5 ~~**[Replacement of Payments In-Lieu-of-Tax. A portion of the**~~  
6 ~~**payments made by Chugach Electric would replace ML&P's**~~  
7 ~~**Municipal Utility Service Assessment for the purposes of**~~  
8 ~~**the municipal tax cap. This structure would ensure that**~~  
9 ~~**property and other taxes subject to the tax cap cannot rise**~~  
10 ~~**as a result of the sale.]**~~  
11

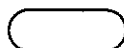
- 12 • **No Increase [Change] in Base Rates.** Base rates for existing  
13 ML&P and Chugach Electric ratepayers would not increase as  
14 a result of the transaction **[for a period of two (2) years after**  
15 **closing].**  
16

17 This proposition would specifically amend Article XVI *Municipal Utilities*  
18 of the Anchorage Municipal Charter to add a new section as follows:  
19

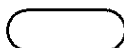
20 **Section 16.04**      **Disposal of Municipal Light & Power to**  
21 **Chugach Electric Association, Inc.;**  
22 **Disposition of Proceeds.**  
23

- 24 A. **ML&P to Chugach Electric.** In addition to the disposal options  
25 provided under section 16.02, and notwithstanding any other  
26 provision of this Charter to the contrary, the municipality may by  
27 ordinance **approved no later than December 31, 2018,** sell,  
28 lease, or otherwise dispose of all or part of the assets and  
29 business of Municipal Light & Power to Chugach Electric  
30 Association, Inc.  
31
- 32 B. **Disposition of Proceeds.** Notwithstanding any provision of this  
33 Charter to the contrary, a portion of any annual payment  
34 received by the municipality in a transaction described in section  
35 16.04A, equivalent to the Municipal Utility Service Assessment  
36 that the municipality would have received from ML&P had the  
37 transaction not occurred, shall be deemed and treated as a  
38 "payment in-lieu of taxes" for the purposes of section  
39 14.03(a)(1), and shall be available to the municipality for  
40 appropriation. All other proceeds of the sale of ML&P received  
41 by the municipality shall be disposed of in accordance with  
42 section 13.11.  
43

44 Shall the Charter be amended, and the municipality be authorized (but  
45 not required) to sell all or part of ML&P to Chugach Electric and  
46 dispose of the proceeds of sale, as described above? (AO 2018-1(S))  
47  
48



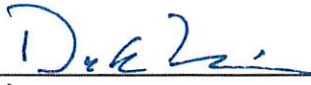
YES



NO

1  
2 **Section 3.** The proposition contained in Section 2 of this ordinance shall take  
3 effect and be incorporated into the Home Rule Charter for the Municipality of  
4 Anchorage, Alaska, upon certification of the election, only if the proposition is passed  
5 by a majority of the qualified voters voting on said proposition at the regular municipal  
6 election on April 3, 2018. All other sections of this ordinance are effective  
7 immediately upon passage and approval.  
8  
9

10 PASSED AND APPROVED by the Anchorage Assembly this 9th day of  
11 January, 2018.  
12  
13

14   
15 \_\_\_\_\_  
16 Chair

17 ATTEST:

18   
19 \_\_\_\_\_  
20 Municipal Clerk  
21



# MUNICIPALITY OF ANCHORAGE

## Assembly Memorandum

No. AM 6-2018(A)

Meeting Date: January 19, 2018

**From: MAYOR**

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

This S version includes the following changes to AO 2018-1, set for public hearing on January 23, 2018:

1. Extension of Chugach Electric's commitment to not lay off employees as a result of this transaction to include both ML&P and Chugach Electric employees;
2. Extension of Chugach Electric's commitment to not increase base rates as as result of this transaction to include both ML&P and Chugach Electric ratepayers;
3. Elimination of the two-year limitation on retention of employees and preservation of base rates;
4. Addition of a sunset provision requiring that a sale be approved by the Assembly no later than December 31, 2018; and
5. Revisions of ordinance and ballot proposition language for clarity.

As revised, the ballot language proposed by the s-version reads as follows:

**PROPOSITION \_\_\_\_\_**  
**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 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.

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

12  
13 Shall the Charter be amended, and the municipality be authorized  
14 (but not required) to sell all or part of ML&P to Chugach Electric and  
15 dispose of the proceeds of sale, as described above? (AO 2018-\_\_)

16  
17                    ☐ YES                    ☐ NO  
18

19  
20 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

21  
22 Prepared by: Rebecca A. Windt Pearson, Municipal Attorney  
23 Concur: Mark A. Johnston, General Manager, ML&P  
24 Concur: William D. Falsey, Municipal Manager  
25 Respectfully submitted: Ethan A. Berkowitz, Mayor