

**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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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

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  
17

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  
21

22 **WHEREAS**, MOA received and reviewed multiple expressions of interest from parties  
23 interested in a purchase of ML&P; and  
24

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  
28

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  
38

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,  
42  
43

1 **THE ANCHORAGE ASSEMBLY ORDAINS:**  
2

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.  
8

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**  
15

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).  
21

22 Chugach Electric proposes to acquire ML&P assets in a transaction that, among  
23 other terms, would include:  
24

- 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.**  
29

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

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

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

49  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 9th day of January, 2018.

  
\_\_\_\_\_  
Chair

ATTEST:

  
\_\_\_\_\_  
Municipal Clerk



# MUNICIPALITY OF ANCHORAGE

## Assembly Memorandum

No. AM 6-2018(A)

Meeting Date: January 19, 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 S version includes the following changes to AO 2018-1, set for public hearing  
10 on January 23, 2018:

- 11
- 12 1. Extension of Chugach Electric's commitment to not lay off employees as a  
13 result of this transaction to include both ML&P and Chugach Electric  
14 employees;
- 15
- 16 2. Extension of Chugach Electric's commitment to not increase base rates as  
17 as result of this transaction to include both ML&P and Chugach Electric  
18 ratepayers;
- 19
- 20 3. Elimination of the two-year limitation on retention of employees and  
21 preservation of base rates;
- 22
- 23 4. Addition of a sunset provision requiring that a sale be approved by the  
24 Assembly no later than December 31, 2018; and
- 25
- 26 5. Revisions of ordinance and ballot proposition language for clarity.
- 27

28 As revised, the ballot language proposed by the s-version reads as follows:  
29

30 **PROPOSITION \_\_\_\_\_**  
31 **CHARTER AMENDMENT AND SALE OF ML&P TO CHUGACH ELECTRIC**

32  
33 If approved by a majority of qualified voters voting on the question,  
34 this proposition would amend the Anchorage Municipal Charter and  
35 authorize (but not require) the Municipality to sell by Assembly  
36 Ordinance approved no later than December 31, 2018, the assets and  
37 business of Municipal Light & Power (ML&P) to Chugach Electric  
38 Association, Inc. (Chugach Electric).  
39

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

- 3  
4 • **Payment of Competitive Value.** Chugach Electric would pay  
5 a competitive value of approximately \$1 billion for the  
6 acquisition of ML&P, subject to adjustment during the due  
7 diligence process.

8  
9 Proceeds will be used to:

- 10  
11 1. Retire ML&P and Municipality of Anchorage debt;  
12 2. Replace ML&P's current payments in-lieu-of-tax to  
13 ensure that property and other taxes subject to the cap  
14 cannot rise as the result of the sale; and  
15 3. Fund the MOA Trust Fund. The MOA Trust Fund is a  
16 permanent, protected fund with dividends payable only  
17 in accordance with a controlled spending policy adopted  
18 by law.

19  
20 Any change in the use of the proceeds may be made only with  
21 approval of the majority of qualified voters voting on the  
22 question.

- 23  
24 • **Retention of Employees.** Chugach Electric would commit to  
25 not lay off any ML&P or Chugach Electric employees as a  
26 result of the transaction, and would succeed to all rights and  
27 obligations of the collective bargaining agreement covering  
28 ML&P employees.  
29  
30 • **No Increase in Base Rates.** Base rates for existing ML&P  
31 and Chugach Electric ratepayers would not increase as a  
32 result of the transaction.

33  
34 This proposition would specifically amend Article *XVI Municipal*  
35 *Utilities* of the Anchorage Municipal Charter to add a new section as  
36 follows:

37  
38 **Section 16.04** **Disposal of Municipal Light & Power to**  
39 **Chugach Electric Association, Inc.;**  
40 **Disposition of Proceeds.**

- 41  
42 **A. ML&P to Chugach Electric.** In addition to the disposal options  
43 provided under section 16.02, and notwithstanding any other  
44 provision of this Charter to the contrary, the municipality may  
45 by ordinance approved no later than December 31, 2018, sell,  
46 lease, or otherwise dispose of all or part of the assets and  
47 business of Municipal Light & Power to Chugach Electric  
48 Association, Inc.  
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**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

**THE ADMINISTRATION RECOMMENDS APPROVAL.**

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