ANCHORAGE, ALASKA
AO No. 2008-94

AN ORDINANCE AUTHORIZING THE MUNICIPALITY TO EXECUTE A PARTICIPATION AGREEMENT, AN OPERATION AND MAINTENANCE AGREEMENT AND A LEASE AGREEMENT BETWEEN CHUGACH ELECTRIC ASSOCIATION (CEA) AND MUNICIPAL LIGHT & POWER (ML&P) FOR THE JOINT DEVELOPMENT, CONSTRUCTION, OPERATION, AND OWNERSHIP OF THE SOUTH CENTRAL ALASKA POWER PROJECT GENERATION FACILITY; AUTHORIZING ML&P TO EXPEND UP TO $3,000,000 TO FUND ITS SHARE OF THE PROJECT’S 2008 CAPITAL EXPENDITURES; AND AUTHORIZING ML&P TO PROCEED, WITH CEA, TO PROCURE THE TURBINES FOR THE PROJECT.

WHEREAS, ML&P and CEA need new electric generation to replace part of their less efficient, aging generation and determined economies-of-scale can be achieved through the joint construction and operation of a larger single plant capable of producing new generation; as a result, ML&P and CEA decided to proceed with the joint development, construction and operation of the South Central Alaska Power Project (SCAPP) to be operated for their mutual benefit; and

WHEREAS, ML&P desires to build the SCAPP as a combined cycle natural gas burning generation facility at a size meeting ML&P’s and CEA’s needs for electric energy and new capacity; and

WHEREAS, the new generating facility is to be located adjacent to CEA’s existing International Generation Terminal at 5601 Electron Drive in Anchorage, Alaska; and

WHEREAS, ML&P intends to rely on the capacity and electric energy generated by the SCAPP as part of its system planning and reliability needs and to serve the needs of its current and future customers; and

WHEREAS, the cost to develop, build and operate the SCAPP makes it advisable for ML&P and CEA to share the related financial and operational costs associated with such a project, and

WHEREAS, ML&P and CEA determined the sharing and allocation of such costs and the SCAPP’s generating capacity can best be accomplished by acquiring, owning and managing the related property rights necessary to build, own and operate the SCAPP as tenants in common; and

WHEREAS, ML&P desires for the SCAPP be operated in a cost-effective manner; and
WHEREAS, ML&P and CEA prepared a Participation Agreement and an Operation and Maintenance Agreement to provide for their respective ownership of the SCAPP as tenants in common and also to set forth certain responsibilities and mechanisms for the design, construction, ownership, operation, maintenance and repair of the SCAPP; and

WHEREAS, the Participation Agreement provides for an Operation and Maintenance Agreement as well as a Lease Agreement, and defines the management of the SCAPP, composed of a Participation Committee, with CEA as the Managing Participant of the SCAPP, an Operating Committee, with CEA as the Operator of the SCAPP; and

WHEREAS, the term of the Participation Agreement is 30 years, with automatic extensions at the end of the 30-year period, but providing the Municipality an option to terminate, commencing in the 25th year, with five years notice; and

WHEREAS, ML&P and CEA each provide for its own financing in proportion to its ownership shares in the SCAPP, approximately 70% for CEA and 30% for ML&P; and

WHEREAS, on the effective date of the Participation Agreement, ML&P and CEA each have a financial obligation to proceed with the SCAPP, including the procurement of the gas turbines for the SCAPP; and

WHEREAS, ML&P’s estimated share of the gas turbine costs is between $19 to $25 million over a two year time frame with an expected down payment of 10% ($1.9 to $2.5 million) due when the order is placed, to be paid from retained earnings; and

WHEREAS, ML&P included new generation in its 2008-2014 Capital Improvement Plan, with $3,000,000 appropriated in its 2008-2009 budget for new generation in 2008; and

WHEREAS, ML&P’s overall cost for its participation in the SCAPP from 2008 through 2013 is estimated to be approximately $110,561,000; now therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. The Municipality is authorized to execute the Participation Agreement, Operation and Maintenance Agreement, and Lease Agreement between ML&P and CEA, in a form substantially as presented to the Assembly.

Section 2. ML&P is authorized to proceed, with CEA as procurer, using its competitive bid process to acquire the turbines for the Project.

Section 3. ML&P is authorized to expend up to $3,000,000 to fund its share of the Project’s 2008 expenses.

Section 4. This resolution shall take effect immediately upon passage and approval by the Anchorage Assembly.
PASSED AND APPROVED by the Anchorage Assembly this ___ day of August, 2008.

________________________________________
Chair of the Assembly

ATTEST:

________________________________________
Municipal Clerk