Agency: Commerce, Community and Economic Development

Grants to Named Recipients (AS 37.05.316)

Grant Recipient: Alaska Village Electric Cooperative, Inc. **Federal Tax ID:** 92-0035763

Project Title: **Project Type:** Remodel, Reconstruction and Upgrades

Alaska Village Electric Cooperative, Inc. - Ekwok Power System Upgrades Repayment

State Funding Requested: $1,000,000 **House District:** 37 / S

One-Time Need

Brief Project Description:

Funding is requested to pay off the $1 million loan granted to bring the village of Ekwok's existing power generation and distribution facilites up to code.

Funding Plan:

Total Project Cost:	$1,000,000
Funding Already Secured:	($0)
FY2013 State Funding Request:	($1,000,000)
Project Deficit:	$0

Funding Details:

A $1 million loan was granted by the Alaska Energy Authority in 2011 to acquire Ekwok's power generation and distribution systems. The loan is a 30 year loan at 0% interest.

Detailed Project Description and Justification:

In order to perform the immediate basic maintenance on the Ekwok power system, AVEC received a $1 million loan from the Alaska Energy Authority in 2011. AVEC is requesting funding to repay the 30 year, 0% interest loan. AVEC was approached by the village of Ekwok to acquire their existing generation and distribution systems in 2011. AVEC completed necessary right-of-way clearing, an environmental assessment, and multiple small projects to bring Ekwok's existing system up to minimum standards necessary to provide reliable power through the winter. To get the system into operating condition, AVEC installed temporary fuel tanks, replaced an engine, and replaced all of the meters within the village. Significant additional upgrades are necessary to achieve industry standards. Engineering design continues and the replacement of another engine is planned for 2012.

Project Timeline:

About half of the funds have already been expended. The loan would be paid off as soon as funds would be available.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Alaska Village Electric Cooperative, Inc.

Contact Name: Patricia Walker
Contact Number: 465-4453

For use by Co-chair Staff Only:

$1,000,000 Approved

4:18 PM 5/2/2012

Grant Recipient Contact Information:

Name:	Meera Kohler
Title:	President and CEO
Address:	4831 Eagle Street
	Anchorage, Alaska 99503
Phone Number:	(907)565-5531
Email:	mkohler@avec.org

Has this project been through a public review process at the local level and is it a community priority? [X] Yes [ ] No

Contact Name: Patricia Walker
Contact Number: 465-4453

For use by Co-chair Staff Only:

4:18 PM 5/2/2012

Power Project Fund Loan Application

Ekwok Power System Upgrades

Submitted by:
Alaska Village Electric Cooperative, Inc.
4831 Eagle Street
Anchorage, Alaska 99503

Submitted to:
Alaska Energy Authority
813 West Northern Lights
Anchorage, Alaska 99503

June 2011

1. Borrower Eligibility

a) Legal name of applicant:

Alaska Village Electric Cooperative, Inc. (AVEC)

b) Applicant is:

Electric utility

2. Authorization

Please see the following Delegation of Authority from the AVEC Board of Directors to the President and CEO adopted March 23, 1992 and revised May 5, 2000.

RESOLUTION 00-37

Delegations of Authority from the Board of Directors To the President & CEO

WHEREAS, the policy for delegation of authority from the Board of Directors to the General Manager has been reviewed; and

WHEREAS, the title of General Manager has been changed to President & CEO and this change has been made in the policy noted above.

NOW, THEREFORE, BE IT RESOLVED that the attached updated policy for delegation of authority from the Board of Directors to the President & CEO is approved.

Certification

I, Julia A. Walker, Secretary, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Alaska Village Electric Cooperative, Inc., 4831 Eagle Street, Anchorage, Alaska 99503, on the 5th day of May 2000, at which meeting a quorum was present.

(seal)

ALASKA VILLAGE ELECTRIC COOP., INC. CORPORATE SEAL ALASKA

Julia A. Walker

Julia A. Walker, Secretary
Alaska Village Electric Cooperative, Inc.

3. Contact Person

Meera Kohler
President and CEO
Alaska Village Electric Cooperative, Inc.
4831 Eagle Street
Anchorage, Alaska 99503

4. Applicant's Officers

Charlie Curtis, Chairman

Walter Sampson, Vice Chairman

Phyllis Clough, Secretary

Helena Jones, Treasurer

Meera Kohler, President and CEO

5. Advisors or Consultants

John Andrew Leman, Legal Counsel
Kemppel, Huffman and Ellis, P.C.
255 East Fireweed Lane, Suite 200
Anchorage, Alaska 99503

6. Loan Amount and Term

a) Total amount of loan requested

AVEC is requesting $1,000,000.

b) Years to repay loan

AVEC is proposing to repay the loan in 30 years. AVEC requests 0.0% interest, due to community duress.

7. Project Description

a) Project overview

Ekwok (population 115) is located along the Nushagak River, 43 miles northeast of Dillingham and 285 miles southwest of Anchorage. The community is governed by a municipal government that was incorporated in 1974.

On May 6, 2011, the Ekwok City Council agreed to transfer the City of Ekwok electric utility assets to AVEC. A purchase and sale agreement has been prepared by AVEC, which provides for the transfer to close on a date agreed to by the parties, with such closing date to occur within forty-five (45) days following the Regulatory Commission of Alaska's approval of the transfer of Certificate of Public Convenience and Necessity No. 688 from the City to AVEC.

AVEC has agreed to take over ownership of the utility, providing that it is able to procure a loan to remedy multiple significant operational and safety defects that must be addressed immediately. Because funds have not been available for major maintenance, the power system is on the brink of failure. Inadequate functional generation last winter resulted in the school being forced to operate on their own stand-by generation for approximately one month. The utility has not issued bills for electricity since December 2010, and the community has been periodically ineligible for the Power Cost Equalization (PCE) program due to operational issues.

The following improvements to the existing Ekwok power system are urgently needed in order for AVEC to provide reliable power to the community. With the upcoming winter, most of these tasks need to be completed immediately for the safety of Ekwok's residents.

Needed Generation Improvements

- Install AVEC standard generator (all existing generators are marginal)
- Equip power plant with tools, safety equipment, spare parts, Smart Ash
- Create plant drawings
- Install fencing and a materials storage connex

Needed Fuel Storage Improvements

- Install adequate, code-compliant fuel storage to meet annual fuel requirements

Needed Distribution Improvements

- Trim trees around lines, shorten jumpers, re-terminate conductors, correct grounding, correct low clearances, correct pole framing, number poles
- Perform as-built survey of the distribution system
- Create transformer/PCB records

- Procure distribution tools

Needed Metering Improvements

- Replace with Elster meters (Powerstat system no longer supported by manufacturer)
- Correct plant totalizer metering
- Install metering for fuel dispensers
- Install metering for various City services

Needed Environmental Tasks

- Perform environmental assessment
- Commission Federal Response Plan and Spill Prevention Control Countermeasure (SPCC) Plan

Needed Administration and Miscellaneous Tasks

- Complete legal, engineering, surveying to document and establish generation/bulk fuel site control, procure and document rights-of-way
- Bring records to current state, ensure PCE compliance, create customer records

b) Project Schedule

Ekwok Power System Schedule							
	2011		2012				
Generation	3rd	4th	1st	2nd	3rd	4th	
Install AVEC standard generator (all existing generators are marginal)	■						
Equip power plant with tools, safety equipment, spare parts, Smart Ash	■	■					
Create plant drawings			■	■			
Install fencing, materials storage connex	■						
Fuel Storage							
Install adequate, code-compliant fuel storage to meet annual fuel requirements	■	■					
Distribution							
Trim trees, shorten jumpers, reterminate conductors, number poles, correct grounding, correct low clearances, correct pole framing	■	■					
Perform asbuilt of distribution system			■				
Create transformer/PCB records			■	■			
Procure distribution tools	■						
Metering							
Powerstat system no longer supported; replace with Elster meters	■						
Correct plant totalizer metering	■						
Install metering for fuel dispensers	■						
Install metering for various City services	■	■					
Environmental							
Perform environmental assessment		■	■	■			
Commission Federal Response Plan and SPCC plan		■	■	■			
Administration/Miscellaneous							
Legal, engineering, surveying to document and establish generation/bulk fuel site control, procure and document rights-of-way	■	■	■	■	■	■	
Bring records to current state, ensure PCE compliance, create customer records		■	■	■			

c) Project budget

Upgrade/Task		Total Cost	Total Funds from AEA PPF
Generation			
Install AVEC standard generator (all existing generators are marginal) Equip power plant with tools, safety equipment, spare parts, Smart Ash Create plant drawings Install fencing, materials storage connex	Subtotal	$ 300,000	$ 300,000
Fuel Storage			
Install adequate, code-compliant fuel storage to meet annual fuel requirements	Subtotal	$ 330,000	$ 325,000
Distribution			
Trim trees, shorten jumpers, re-terminate conductors, number poles, correct grounding, correct low clearances, correct pole framing Perform as-built survey of the distribution system Create transformer/PCB records Procure distribution tools	Subtotal	$ 100,000	$ 100,000
Metering			
Powerstat system no longer supported; replace with Elster meters Correct plant totalizer metering Install metering for fuel dispensers Install metering for various City services	Subtotal	$ 75,000	$ 75,000
Environmental			
Perform environmental assessment Commission Federal Response Plan and SPCC plan	Subtotal	$ 75,000	$ 75,000
Administration/Miscellaneous			
Legal, engineering, surveying to document and establish generation/bulk fuel site control, procure and document rights-of-way Bring records to current state, ensure PCE compliance, create customer records	Subtotal	$ 125,000	$ 125,000
	Total Loan Request	**$1,000,000**	**$1,000,000**

d) Leveraged Lease Financing Agreement-Not applicable

8. Technical Feasibility

a) Information on design and engineering

Funding obtained through the PPF Loan would be used to prepare design and engineering plans for upgrades to the Ekwok power system. The funding will also be used to prepare power plant drawings and to perform an as-built survey of the distribution system.

b) Information on environmental impact

The upgrades to the Ekwok power system would result in minor impacts to the environment since improvements would be made to existing infrastructure and few ground disturbing activities would occur in undisturbed locations. There are no species listed under the Endangered Species Act, and no impacts to wetlands or other waterbodies are expected. With PPF Loan funding, AVEC would complete environmental work to determine whether contamination is an issue with the existing system. AVEC would also use funding to develop a Federal Response Plan and SPCC plan.

Because the power system components are located within the city's boundaries, it is assumed that the City of Ekwok has site control and easements for the power system. AVEC would use PPF Loan funding to document and establish generation and bulk fuel site control and to procure and document rights-of-way for utility lines.

9. Financial Feasibility

a) Additional funding requested from other sources

AVEC would use some operating funds for some of the proposed upgrade work; however, at this point, no additional funding sources for improvements to the Ekwok power system have been identified.

b) Expected impact on annual operations and maintenance costs/project's expected productive life

The expected productive life of the power system upgrades will be 30 years.

c) Demonstrate sufficient revenue to repay loan without unreasonable increases to customer costs.

Sales by Ekwok Electric have been approximately 440,000 kWh annually. It is estimated that accurate and complete metering will increase sales to approximately 500,000 kWh annually. A zero percent interest 30 year loan of $1,000,000 will result in a surcharge of approximately 6.67 cents per kWh, which is not unreasonable. Ekwok's current rates provide sufficient revenue to cover this cost. In addition, AVEC's financial statements audited by an independent certified public accountant show that the cooperative has sufficient revenue to repay the loan without unreasonable increases to customer costs in other AVEC villages. Please see Tab 11 for the financial statements.

Projected costumer rates for two years following the completing of the project

Assuming a 30-year 0% interest loan, annual payments of $33,000 would be required. Annual payment would be equal to approximately 6.67 cents/kWh. Current rates in Ekwok are 70 cents/kWh for residential power and 75 cents/kWh for commercial power. Rates under the AVEC tariff would be roughly 10 cents/kWh lower than the current rate in Ekwok; therefore, collecting the additional cost of a PPF loan would be feasible for Ekwok costumers.

d) Legal Authority to collect revenue to repay loan

The Ekwok City Council has agreed to transfer the City of Ekwok electric utility assets to AVEC. AVEC is requesting the Regulatory Commission of Alaska's approval of the transfer of Certificate of Public Convenience and Necessity No. 688 from the City of Ekwok to AVEC. AVEC expects that the RCA will grant emergency operating authority to AVEC by July 15, 2011, and that the CPCN will be transferred at a later date.

AVEC currently operates under Certificate of Public Convenience and Necessity No. 169. Please see the following page.

Petition

Of The Community of Ekwok

To become Alaska Village Electric Cooperative Members

Date 9-18-07

We the customers of the Ekwok Power Company, would like the Electrical service in Ekwok to be changed from The Ekwok Power Company to Alaska Village Electric Cooperative (AVEC) We the consumers need reliable, less expensive power in our community.

We the undersigned do request Alaska Village Electric to become our Electric Power Cooperative, and we would like to be members of the Cooperative.

Signature	Printed Name	Contact Number
Thomas Nelson SR	Thomas Nelson SR	(907) 464-3321
Carl Hansen	Carl HANSEN	(907) 464-3575
Richard King	Richard King	464-3376
Darrel E. Decker Sr	Darrel E. Decker Sr	464-8776
Juanita Nelson	Juanita Nelson	907-464-3427
Susan Decker	Susan Decker	907-464-8776
Julia Williams	Julia Williams	(907) 464-3378
Lorraine King	Lorraine King	(907) 464-3334
Sylvia Kazimirowicz	Sylvia Kazimirowicz	(907) 464-3359 (work #)
Frank Nicholai	Frank Nicholai	(907) 464-3376
Lucki Akelkok Sr.	Lucki Akelkok Sr.	464-3317
Peter Walcott SR	Peter Walcott SR	907-464-3385
Robert Nelson	Robert Nelson	907 464 3473
Stan R Dance	Stan R Dance	464-4644
Buck Williams	Buck Williams	464-3385
Steven Baird	Steven BAIRD	464 3629
Erwine Baird	ERWINE BAIRD	464-3629
Pauline Akelkok	Pauline Akelkok	464-3317
Jerry Walcott	Jerry Walcott	464-3320
Tetia Walcott	Tetia Walcott	464-3320
Lubara Walcott	Lubara Walcott	464-3320
Carol Nicola	CAROL NICOLA	464-2066
Judy L Walcott	Judy L Walcott	464-7383
Rhonda Hurley	Rhonda Hurley	464-3356
Tetia M Walcott	Tetia M. Walcott	464-7383
Richard M. Sterner Jr.	Richard M. Sterner Jr.	464-7428
Mike R Nicola	Mike R Nicola	464-3209
Vera Taylor	Vera Taylor	464-3309
Ramona Larson	Ramona Larson	464 3575