

**MEMORANDUM OF AGREEMENT  
RE SUSTAINABILITY OF RURAL POWER SYSTEMS**

**Between:**

The Denali Commission, the Alaska Energy Authority and the Regulatory Commission of Alaska.

**Purpose:**

This Memorandum of Agreement (MOA) outlines the mutual interests, understandings, agreements, and roles among parties in achieving sustainable and cost effective rural energy systems.

**Mutual Interests Understandings and Agreements:**

Reliable, reasonably priced electricity is necessary for survival of communities throughout Alaska. Parties to this MOA understand that some small communities may *not be able to operate a cost effective and sustainable electrical utility, due to their small population or other factors.* However, such communities wishing to demonstrate that capability will generally be given the opportunity. If an electric utility receiving financial assistance with Denali Commission funds fails to fulfill its obligations under operative project agreements, the parties to this MOA will move expeditiously, subject to state statutes and consistently with the operative agreements, in the interest of protecting the publicly-funded assets of the utility, to seek another electric utility with demonstrated capability to agree to operate the defaulting utility or its Commission-funded assets in a cost effective and sustainable manner. If a willing secondary or substitute operator can be located, the parties to this MOA will work cooperatively and expeditiously to obtain

the regulatory approval that may be necessary for such operation. It is necessary to act expeditiously (generally within a year but not longer than two years) because of the rapid depreciation of improperly maintained power generation equipment.

Parties to this MOA are committed to reducing the cost and increasing the reliability and sustainability of electrical power services in rural Alaska. The parties to this MOA recognize the importance of utilizing sustainability principles when investing in rural energy systems including:

1. Funding projects which minimize life-cycle costs;
2. Creating incentives which reward sustainability and eliminating disincentives that work against sustainability;
3. Utilizing business plans as a tool to fully account for operation, maintenance, renewal and replacement costs while identifying sufficient revenue streams to cover these costs; and
4. Achieving a scale of operation sufficient for sustainability.

Failure to operate power utilities in a sustainable manner will likely result in failure of the utility and because the state is no longer able to fund the replacement of failed equipment on a routine basis as has been done in the past, failure of the utility may very well result in the ultimate demise of the community. While the federal government currently has funding to assist with the replacement and upgrade of electric utility systems, continuation of that funding in the future is certainly not assured and is not anticipated to continue for more than the next few years.

**Roles:**

Denali Commission

Provide funding (as long as funding is provided by Congress for that purpose) to construct rural energy systems in partnership with local, tribal, state, and federal governments and to implement this MOA, promulgate and apply sustainability principles in cooperation with state and federal partners, and actively participate in the implementation of this agreement, including participation in negotiations with defaulting grantee utilities and potential secondary or substitute operators,.

Alaska Energy Authority

Carry out the powers and duties assigned under AS 44.83, and, subject to appropriation and availability of funds from Congress or from other sources for these purposes, assist the Denali Commission in developing safe, reliable, and efficient energy systems, developing business plans that if followed should assure sustainability, monitoring progress in implementing business plans, negotiating with defaulting grantee utilities and potential secondary or substitute operators, and, in the event of a grantee's default on its obligations and when a willing secondary or substitute operator is available, expeditiously petitioning the Regulatory Commission of Alaska to modify a certificate of public convenience and necessity or transfer it to an operator which has demonstrated the capability to operate in a sustainable manner if the business plan or comparable sustainability principles are not followed.

Regulatory Commission of Alaska

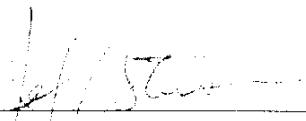
Carry out the powers and duties assigned under AS 42.05 to ensure adequate, affordable and reliable energy, and, when appropriate under AS 42.05 and consistent with due process, to effect the modification or transfer of a certificate of public convenience and necessity.

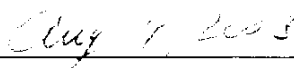
**MOA Implementation:**

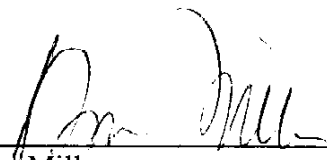
1. This MOA becomes effective immediately for each participating agency as they sign and will remain in effect, subject to appropriation and availability of funding for performance of the obligations under this MOA, through April 30, 2007 or before if all signers agree to revise MOU prior to that date. Any party to this MOA may withdraw from it by providing 30 days advance written notice of termination to the other parties.

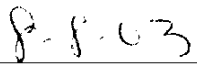
2. Nothing in this MOA shall be construed to limit or modify the authority or legal responsibility of any participating agency.

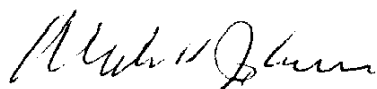
3. This MOA is neither a fiscal nor a funds obligating document. Any proposed funding endeavor will be outlined in separate agreements that shall be made in writing by representatives of the parties and shall be independently authorized by appropriate statutory authority.

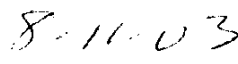
  
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Jeff Staser  
Federal Co-Chair  
Denali Commission

  
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Date

  
\_\_\_\_\_  
Ron Miller  
Executive Director  
Alaska Energy Authority

  
\_\_\_\_\_  
Date

  
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Mark Johnson  
Chair  
Regulatory Commission of Alaska

  
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Date