

**Agency: Commerce, Community and Economic Development****Grants to Named Recipients (AS 37.05.316)****Grant Recipient: Alaska Village Electric Cooperative****Federal Tax ID: 92-0035763****Project Title:****Project Type: Remodel, Reconstruction and Upgrades**

# Alaska Village Electric Cooperative - Bethel Electric System Upgrade

**State Funding Requested: \$5,000,000****House District: 37 / S**

One-Time Need

**Brief Project Description:**

Alaska Village Electric Cooperative, is requesting \$5,000,000 to provide crucial and essential improvements to Bethel's generation system which also provides power to the nearby villages of Oscarville and Napakiak.

**Funding Plan:**

Total Project Cost:	\$5,000,000
Funding Already Secured:	(\$0)
FY2015 State Funding Request:	<u>(\$5,000,000)</u>
Project Deficit:	\$0

*Funding Details:*

AVEC received a legislative appropriation in FY2014 of \$5 Million to purchase Bethel Utilities.

**Detailed Project Description and Justification:**

Alaska Village Electrical Cooperative, Inc. (AVEC) is a thriving and highly successful non-profit electric utility providing electrical services to the residents of 55 remote rural villages from Kivalina to Old Harbor and from Gambell to Minto. Starting with just three villages in 1968, AVEC now has the largest noncontiguous service area of any retail electric cooperative in the world. Its non-stop dedication is bringing stable and efficient sources of electricity for homes, schools, clinics, water and sewer systems, businesses and communications in its member villages.

The member villages are located primarily in western and interior Alaska. They are Native communities with robust Yup'ik, Cup'ik, Aleut, Inupiat, Siberian Yup'ik or Athabascan cultures and languages. They are primarily small in population. The largest is Hooper Bay with about 1200 people; the smallest is Anvik with fewer than one hundred.

AVEC, after many years of interest, has recently purchased Bethel Utilities, the privately owned utility serving the western Alaskan hub community of Bethel and two of its nearby neighbors, Oscarville and Napakiak. In March 2013, AVEC and Bethel Utilities agreed on the terms of the purchase and last July the Bethel City Council unanimously passed a resolution (attached) in support of the transfer. The Regulatory Commission of Alaska has approved the transfer of the utility service to AVEC. (Certificate is attached.)

Because Bethel Utilities was privately owned it was not eligible for many state and federal grants which it might have used to maintain and upgrade its systems. As an additional burden on its resources, Bethel Utilities was required to pay federal

corporation and other taxes. As a result, the Bethel Utilities infrastructure is in poor condition and does not meet some important utility standards. AVEC, as a non-profit electrical cooperative, will have an economic advantage compared to Bethel Utilities. And even though power costs are anticipated to decline by as much as 10%, AVEC does inherit Bethel Utilities' powerhouse and other critical electrical infrastructure. The powerhouse and other elements of the electrical system are in dire need of replacement or upgrades and must be brought into current standards. Extensive upgrades are needed for the utility to meet the needs of this large hub community with its important regional infrastructure, especially the hospital, as well as the two small villages also served by this utility.

Funding is requested specifically to bring power plant switchgear and controls to current utility standards and make the utility ready for addition of renewable energy; to replace outdated metering and to upgrade mechanical systems in the power plant to assure continued deliver of recovered heat.

Total population to benefit: 6,080 (2010 U.S. Census)

### Project Timeline:

This project will begin upon receipt of funding, likely July 2014, and will be complete by December 2015.

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

Alaska Village Electric Cooperative, Inc.

### 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?  Yes  No

# Bethel Electric System Upgrade Project

## FY 2015 Legislative Request: \$5,000,000

Alaska Village Electric Cooperative, Inc. is requesting \$5,000,000 to provide critical improvements to Bethel's generation system, which also serves the communities of Oscarville and Napakiak via electrical interties.

AVEC recently purchased the electric utility based in Bethel and extensive upgrades are needed for the utility to meet the long term needs of this large hub community with its important regional infrastructure as well as the two small villages electrically connected to this utility.

Funding is requested specifically to bring power plant switchgear and controls to current utility standards and make the utility ready for addition of renewable energy; to replace older conventional metering with advanced electronic metering and to upgrade mechanical systems in the power plant to assure continued delivery of recovered heat.

**Total communities to benefit: 3**

**Total population to benefit: 6,080 (2010 U.S. Census)**



## Project Background

AVEC, established in 1968 as a non-profit utility owned by the members it serves, currently provides power to 55 villages across the state, with the greatest concentration being in the Yukon-Kuskokwim (Y-K) area. Bethel's geographic location as the economic and service hub of the Y-K area has made it a long-sought after community for AVEC, since it offers many synergies and economies of scale. Currently a privately owned utility, the owners recently entered into an agreement to sell the utility assets to AVEC and the process to transfer the Certificate of Public Convenience and Necessity began in June 2013. The CPCN transfer was approved by the Regulatory Commission of Alaska in October 2013 and the sale is expected to close in May, 2014. Bethel serves two of its neighboring communities, Oscarville and Napakiak. The Bethel City Council has strongly supported the transfer and has expressed their intent to transfer to AVEC a state Renewable Energy Fund grant to construct wind generation in Bethel.

In transferring utility operations from a for-profit company to a non-profit entity, the community of Bethel will no longer have to pay for corporate and state taxes and will also see the benefits of shared administrative expenses. Accordingly, power costs are anticipated to decline by as much as 10%. The current utility has provided excellent service to Bethel, but has not had access to low cost capital and the utility assets are, as a result, aged and at the end of their useful life. AVEC is actively seeking funding for upgrades to generation and other critical infrastructure with the intent of bringing Bethel's electric generation and delivery system to current utility standards and to assure continued high quality service.



# Bethel Electric System Upgrade Project



Upgrade mechanical systems to improve operations and to capture and delivery recovered heat.



To bring the Bethel electric utility up to modern standards, AVEC proposes to:

- Replace or upgrade power plant switchgear and controls to improve operations and accommodate planned renewable energy development: \$2,500,000
- Replace conventional metering to bring up to current utility and AVEC standards to provide operations cost savings and greatly improved customer service: \$1,000,000
- Upgrade mechanical systems to improve operations and to capture and deliver recovered heat: \$1,500,000



Replacement of the metering system will allow meters to be automatically read as well as queried remotely for service quality, outage management and system balancing needs, resulting in operational cost savings and service improvements.



Introduced by: Mayor Joseph A. Klejka  
Date: April 24, 2012  
Action: Passed  
Vote: 6-0

## *CITY OF BETHEL, ALASKA*

### **Resolution # 12-10**

#### **A RESOLUTION BY THE BETHEL CITY COUNCIL SUPPORTING A COOPERATIVE RUN AND OWNED ELECTRIC UTILITY IN BETHEL ALASKA**

**WHEREAS**, the Bethel City Council is interested in considering a cooperative purchase of a publicly owned electric utility in Bethel;

**WHEREAS**, the sale of Bethel Utilities Corporation to a public electric utility would result in a reduction in the cost of energy for the ratepayers of Bethel while concurrently reducing the costs to the State of Alaska in the Power Cost Equalization program;

**WHEREAS**, a cooperative electric utility would provide for local democratic control allowing for ratepayer influence, transparency of information, and confidence in the ability to provide electricity;

**WHEREAS**, according to an Electric Utility Ownership Feasibility Study prepared for the City of Bethel by Agnew::Beck, in May of 2011, the monthly cost of heating oil makes up about 66 percent of total energy costs (defined as electricity, heating oil, and vehicle transportation);

**WHEREAS**, electricity comprises approximately 18 percent of a consumer's residential monthly bill after the Power Cost Equalizations subsidy is applied;

**WHEREAS**, practices of the current electric utility can be improved to provide better rates to the consumer, those practices include but are not limited to fuel procurement practices, integration with renewable energy sources such as wind, and integration of waste heat;

**WHEREAS**, additionally the study suggests the above practices when applied under a cooperative, would allow for a 4.5 percent decrease in the rates provide under an independently owned utility;

**WHEREAS**, the Electric Utility Ownership Feasibility Study also concludes, the impact to the State is also substantial; the current utility customers receive approximately \$2.2 Million per year in Power Cost Equalization (PCE) credits;

**WHEREAS**, a change in ownership, fuel procurement options and wind resource options would contribute up to \$400,000 in savings per year for the states PCE payments in Bethel;

Introduced by: Mayor Joseph A. Klejka  
Date: April 24, 2012  
Action: Passed  
Vote: 6-0

**WHEREAS**, the profit margin for a cooperative purchase of a publicly owned electric utility would be minimal to the producer, but would enable efficient and responsible operation of a utility to ensure the public's interest is considered and carried out;

**WHEREAS**, according to the Study, the the greatest reduction in costs to both the state and the utility users is achieved with an electrical utility cooperative.

Comparison of Utility Rates by Ownership Category: Ideal Scenario [1]

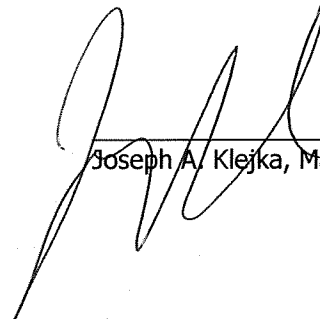
Ownership	Avg. Avg. Rate per kWh [1]	% Difference from BUC
BUC	\$0.4304	0.0%
IOU (not BUC)	\$0.4059	-5.7%
Municipal	\$0.3740	-13.1%
Cooperative	\$0.3743	-13.7%

[1] Assumes the utility builds and operates a fuel storage system, uses a pipeline to deliver fuel from the Petro Port to the tank farm, owns and operates its own wind system, and allows the city to integrate waste heat.

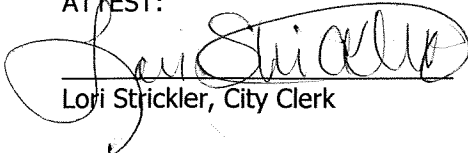
\* Electric Utility Ownership Feasibility Study (2011). Agnew::Beck Consulting, LLC and EES Consulting

**NOW, THEREFORE, BE IT RESOLVED** that the Bethel City Council does hereby support a cooperative run and owned electric utility in Bethel.

**ENACTED APRIL 24, 2012 BY A VOTE OF 6 IN FAVOR AND 0 OPPOSED.**

  
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Joseph A. Klejka, Mayor

ATTEST:

  
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Lori Strickler, City Clerk

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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

T.W. Patch, Chairman  
Paul F. Lisankie  
Robert M. Pickett  
Norman Rokeberg  
Janis W. Wilson

In the Matter of the Joint Application for Transfer )  
of Certificate of Public Convenience and )  
Necessity No. 43 to Provide Electric Service from )  
BETHEL UTILITIES CORPORATION, INC. to )  
ALASKA VILLAGE ELECTRIC COOPERATIVE, )  
INC. )

U-13-118

ORDER NO. 6

**ORDER APPROVING TRANSFER, REQUIRING FILING, MERGING  
SERVICE TERRITORIES, AND REVOKING CERTIFICATE**

BY THE COMMISSION:

Summary

We grant the application to transfer Certificate of Public Convenience and Necessity (Certificate) No. 43 from Bethel Utilities Corporation, Inc. (BUCI) to Alaska Village Electric Cooperative, Inc. (AVEC), subject to the condition that transfer does not become effective until the Asset Purchase Agreement between the parties has closed. We require AVEC to notify us when its purchase of the BUCI electric utility assets has closed. We merge the authorized service territory for Certificate No. 43 into the authorized service territory for Certificate No. 169 and revoke Certificate No. 43, effective on the date that transfer of Certificate No. 43 becomes effective.

1 Background

2 Certificate No. 43 authorizing the provision of electric utility service in  
3 Bethel was transferred to BUCI in 1972.<sup>1</sup> The service area authorized by Certificate  
4 No. 43 was expanded in 1973,<sup>2</sup> 1981,<sup>3</sup> 1988,<sup>4</sup> and 2002<sup>5</sup> to include the area around  
5 Bethel. BUCI provides wholesale electric service to the utilities serving the communities  
6 of Oscarville and Napakiak, which are located outside of the Certificate No. 43 service  
7 area.<sup>6</sup> BUCI also operates a small district heat distribution system utilizing waste heat  
8 from its electric generation operations.<sup>7</sup>

9 BUCI and AVEC executed an agreement for sale of the BUCI electric  
10 utility assets, including district heat operations, to AVEC on March 11, 2013.<sup>8</sup> AVEC  
11 and BUCI jointly filed an application requesting transfer of Certificate No. 43 from BUCI  
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13 <sup>1</sup>Order U-72-027(1), *Order Granting Transfer of Certificate*, dated April 28, 1972,  
14 at 3-4.

15 <sup>2</sup>Order U-73-014(1), *Order Granting Amendment of Service Area*, dated July 23,  
16 1973, at 3-4.

17 <sup>3</sup>Order U-79-079(1), *Order Granting Additional Service Area and Closing Docket*,  
18 dated August 21, 1981, at 1-2.

19 <sup>4</sup>Order U-87-028(1), *Order Approving Application and Closing Docket*, dated  
20 April 19, 1988, at 2.

21 <sup>5</sup>Order U-97-090(1), *Order Approving Application, Approving Tariff Sheets, and*  
22 *Closing Docket*, dated December 27, 2002, at 2.

23 <sup>6</sup>See Order U-03-011(15), *Order Accepting Stipulation, Requiring Filings, and*  
24 *Affirming Electronic Ruling*, dated March 15, 2006; Appendix at 6 n.1.

25 <sup>7</sup>See Order U-80-099(1), *Order Granting Exemption of Waste Heat Operation*  
26 *and Establishing Certain Conditions*, dated January 8, 1981 (authorizing the provision of  
district heat service); *Initial Pre-Filed Testimony of Edward L. Tilbury*, filed April 1, 2005  
in Docket U-04-104, at 20-27 (describing BUCI's district heat operation as it existed in  
2005).

<sup>8</sup>*Joint Application for Transfer of Certificate of Public Convenience and Necessity*  
No. 43, filed June 11, 2013 (Application), Exhibit A-1.



1 to AVEC.<sup>9</sup> We issued public notice of the Application with comments due by July 11,  
2 2013. We received comments in favor of the proposed transfer from the City of  
3 Bethel,<sup>10</sup> the Oscarville Village Corporation,<sup>11</sup> the Bethel Native Corporation,<sup>12</sup> and from  
4 two individuals.<sup>13</sup> We received one comment in opposition to the proposed transfer.<sup>14</sup>

5 We found the Application complete as filed and opened this proceeding.<sup>15</sup>  
6 TDX Power, Inc. (TDX Power) filed a petition for reconsideration of our completeness  
7 finding.<sup>16</sup> We denied TDX Power's petition for reconsideration.<sup>17</sup> TDX Power filed a  
8 protest of the Application and petition to intervene in this proceeding.<sup>18</sup> TDX Power  
9 subsequently withdrew its protest and petition to intervene.<sup>19</sup> AVEC and BUCI filed an  
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13 <sup>9</sup>Application at 1.

14 <sup>10</sup>Correspondence from L.M. Foley, filed July 2, 2013.

15 <sup>11</sup>Correspondence from N. Steven, M. Jacob, O. Mesak, and A.A. Nicholai, filed  
16 July 9, 2013.

17 <sup>12</sup>Correspondence from A. Hoffman, filed July 11, 2013.

18 <sup>13</sup>Correspondence from E. Whitney, filed July 1, 2013; Correspondence from  
19 E. Stanley, filed July 5, 2013.

20 <sup>14</sup>Correspondence from A. Werba, filed July 11, 2013.

21 <sup>15</sup>Order U-13-118(1), *Order Designating Commission Panel, Appointing*  
22 *Administrative Law Judge, and Addressing Timeline for Decision*, dated July 1, 2013,  
23 at 2.

24 <sup>16</sup>*TDX Power's Petition for Reconsideration of Order No. 1*, filed July 2, 2013,  
25 at 1.

26 <sup>17</sup>Order U-13-118(2), *Order Denying Petition for Reconsideration*, dated  
August 1, 2013, at 6.

<sup>18</sup>*Protest of TDX Power*, filed July 2, 2013 (Protest), at 1, Exhibit B.

<sup>19</sup>*TDX Power's Notice of Withdrawal of Protest and Petition to Intervene*, filed  
August 26, 2013.

1 amendment to their purchase agreement<sup>20</sup> and supplemented their Application.<sup>21</sup>

2 Discussion

3 A certificate may not be sold or otherwise transferred without our prior  
4 approval.<sup>22</sup> We evaluate an application for transfer of a certificate to determine whether  
5 the transferee is fit, willing, and able to provide the utility services authorized in the  
6 certificate and whether the proposed transfer is consistent with the public interest.<sup>23</sup>

7 Fit, Willing, and Able

8 Managerial Fitness

9 AVEC has been providing electric utility services in rural villages, primarily  
10 in Western Alaska, since 1968.<sup>24</sup> AVEC has provided such service pursuant to  
11 Certificate No. 169 since 1972.<sup>25</sup> AVEC currently provides electric utility service to over  
12 7,900 customers in 55 villages.<sup>26</sup> AVEC has an experienced management staff with  
13 many years of experience operating electric utilities in rural Alaska.<sup>27</sup> Other than base  
14 rates and cost of power adjustments, AVEC proposes to provide service in Bethel in  
15 accordance with AVEC's current tariff.<sup>28</sup> During the past five years, we have received

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17 <sup>20</sup>*Notice of Filing of Amendment No. 2 to Asset Purchase Agreement*, filed  
18 August 28, 2013.

19 <sup>21</sup>*Supplemental Filing of Proposed Bethel Service Area Description and Map*,  
20 filed September 20, 2013.

21 <sup>22</sup>AS 42.05.281.

22 <sup>23</sup>AS 42.05.241.

23 <sup>24</sup>Order U-70-089(1), *Order Granting Certificate*, dated January 6, 1972 (Order  
24 U-70-089(1)), at 2.

25 <sup>25</sup>Order U-70-089(1) at 4-5; Certificate No. 169, Appendix at 6.

26 <sup>26</sup>Application, Exhibit E-1 at 2.

<sup>27</sup>Application at Exhibit D.

<sup>28</sup>Application at 6.

1 only one complaint about the quality of utility service provided by AVEC and one  
2 complaint about billing by AVEC. We find that AVEC is managerially fit to operate the  
3 electric utility system in Bethel.

4 Technical Fitness

5 AVEC's management staff includes a licensed professional engineer and  
6 a certified journeyman electrician.<sup>29</sup> BUCI currently provides electric utility service  
7 entirely with diesel generation plant.<sup>30</sup> AVEC is currently providing electric service in 55  
8 rural villages with over 150 diesel generators,<sup>31</sup> at least some of which include heat  
9 recovery systems.<sup>32</sup> AVEC will be hiring nineteen of BUCI's twenty-one employees,  
10 retaining their technical expertise.<sup>33</sup> We find that AVEC is technically fit and fully  
11 capable of operating the electric utility system in Bethel.

12 Financial Fitness

13 AVEC is purchasing all utility assets of BUCI for \$5,000,000, adjusted to  
14 reflect changes after December 31, 2012, for plant additions, salvage value on plant  
15 retirements, changes in construction work in progress, and new deferred expenses.<sup>34</sup>  
16 AVEC will also compensate BUCI's owners for accounts receivable, unbilled customer  
17 usage, and credits for employee benefits existing on the date of closing.<sup>35</sup> The

19 <sup>29</sup>Application, Exhibit D at 2-3.

20 <sup>30</sup>*Annual Report of Bethel Utilities Corporation*, filed March 29, 2013, at 401.

21 <sup>31</sup>Application, Exhibit E-1 at 2.

22 <sup>32</sup>Application, Exhibit E-1 at 14; Order U-07-107(3), *Order Approving Application*  
23 *to Transfer Certificate of Public Convenience and Necessity, Subject to Condition;*  
*Requiring Filing; Revoking Certificate; and Closing Docket*, dated March 7, 2008, at 6.

24 <sup>33</sup>Application, Exhibit E-1 at 2-3.

25 <sup>34</sup>Application, Exhibit A-1 at 5-6.

26 <sup>35</sup>Application, Exhibit A-1 at 6-7.

1 estimated net book value of the BUCI utility assets being transferred was \$3,485,629 as  
2 of December 31, 2012.<sup>36</sup>

3 AVEC provided its audited financial statement for the years ending  
4 December 31, 2011, and December 31, 2012.<sup>37</sup> For the year ending December 31,  
5 2012, AVEC had net margins of \$1,101,860,<sup>38</sup> a debt ratio of 0.57,<sup>39</sup> and a current ratio  
6 of 2.35.<sup>40</sup> We find that AVEC is financially fit and able to operate the Bethel electric  
7 utility.

8 We note that AVEC is paying approximately \$1.5 million more for BUCI's  
9 assets than the net book value of these assets.<sup>41</sup> If AVEC were economically regulated,  
10 it would not normally be allowed to recover this acquisition adjustment through rates.<sup>42</sup>  
11 However, AVEC is exempt from economic regulation under AS 42.05.711(h),<sup>43</sup> and we

12 <sup>36</sup>Application, Exhibit B at 2.

13 <sup>37</sup>Application at Exhibit G.

14 <sup>38</sup>Application, Exhibit G at 9.

15 <sup>39</sup>The debt ratio indicates what proportion of debt a company has relative to its  
16 assets. A debt ratio of greater than 1 indicates that a company has more debt than  
17 assets; meanwhile, a debt ratio of less than 1 indicates that a company has more assets  
18 than debt. Used in conjunction with other measures of financial health, the debt ratio  
19 can help an investor determine a company's level of risk. AVEC's debt ratio of 0.57  
20 would be indicative of low risk and a healthy company.

21 <sup>40</sup>The current ratio is a liquidity ratio that measures the ability of a company to  
22 pay its short-term liabilities (i.e., debt and payables) with its short-term assets (i.e.,  
23 cash, inventory, and receivables). The higher the current ratio, the more capable the  
24 company is of paying its obligations. A ratio less than 1 suggests that the company  
25 would be unable to pay off its obligations if they came due at that point.

26 <sup>41</sup>\$5,000,000 - \$3,485,629 = \$1,514,371.

<sup>42</sup>AS 42.05.441(b); see Order U-01-098(1), *Order Approving Application to Amend Certificate with Conditions, Cancelling Certificate and Special Contract, and Requiring Filings*, dated February 25, 2002, at 4-6 (for limited exception to this rule).

<sup>43</sup>Order U-97-042(4), *Order Certifying Results of Election*, dated June 23, 1997, at 2-3.

1 do not set AVEC's rates. Although not before us in this proceeding, it appears that  
2 AVEC is not allowed to recover this acquisition adjustment through the power cost  
3 equalization (PCE) program.<sup>44</sup>

4 Willing

5 AVEC voluntarily entered into an agreement to purchase the BUCI electric  
6 utility.<sup>45</sup> We find that AVEC is willing to provide electric utility service in Bethel.

7 Able

8 AVEC has received a loan commitment for the full purchase price it  
9 offered to pay for BUCI's electric utility assets.<sup>46</sup> We find that AVEC is able to provide  
10 electric utility service in Bethel.

11 Consistent with the Public Interest

12 Upon its acquisition of the BUCI utility assets, AVEC plans on immediately  
13 reducing base rates for electric service in Bethel by 9.53 percent.<sup>47</sup> This reduction is  
14 based upon labor expense reductions, AVEC's exemption from paying income taxes,  
15 and lower interest expense.<sup>48</sup> AVEC also proposes to reduce the Bethel electric service  
16 cost of power adjustment and the district heat price by 5.7 percent based upon its  
17 exemption from paying sales taxes on fuel purchases.<sup>49</sup> AVEC projects that these  
18 reductions will yield an approximately 9.2 percent rate reduction to Bethel electric  
19 service consumers.<sup>50</sup> AVEC anticipates being able to implement future reductions to

20 <sup>44</sup> AS 42.45.110(a).

21 <sup>45</sup> Application, Exhibit A-1 at 3.

22 <sup>46</sup> *Opposition to Petition for Reconsideration*, filed July 12, 2013, at Exhibit A.

23 <sup>47</sup> Application, Exhibit E-2 at 2.

24 <sup>48</sup> Application, Exhibit E-1 at 12, see also Exhibit E-5 at 2-3.

25 <sup>49</sup> Application, Exhibit E-1 at 3-4, 11.

26 <sup>50</sup> Application, Exhibit E-1 at 4.

1 Bethel electric rates through reductions in fuel expense and as a result of increased  
2 sales of district heat.<sup>51</sup>

3 Under the Asset Purchase Agreement between BUCI and AVEC,  
4 approximately \$622,294 of BUCI customer deposits plus interest will be refunded to  
5 customers within twenty business days after purchase closing.<sup>52</sup> AVEC estimates that  
6 its acquisition of BUCI's electric assets will allow it to reduce average non-fuel expense  
7 allocated to its other customers by 2.6 percent.<sup>53</sup> AVEC projects that the Bethel rate  
8 reductions will save the PCE program approximately \$569,350 per year.<sup>54</sup> Over time,  
9 AVEC hopes to be able to connect some of its more remote villages to Bethel by  
10 transmission lines, resulting in fuel savings through aggregated loads and more efficient  
11 generators.<sup>55</sup>

12 As discussed above, we find AVEC to be fit, willing, and able to provide  
13 electric utility service in Bethel. Based on the entire record before us, we find that  
14 transfer of the service territory and obligations granted in Certificate No. 43 from BUCI  
15 to AVEC is consistent with the public interest, if these parties close the purchase  
16 transaction. We approve transfer of Certificate No. 43 from BUCI to AVEC subject to  
17 the condition that transfer does not become effective until these parties close the Asset  
18 Purchase Agreement submitted as Exhibit A-1 of the Application. We require AVEC to  
19 file written notice within thirty days after purchase of the BUCI utility assets has closed.  
20  
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22 <sup>51</sup> Application, Exhibit E-1 at 4, 14.

23 <sup>52</sup> Application, Exhibit E-1 at 10, 12.

24 <sup>53</sup> Application, Exhibit E-1 at 13.

25 <sup>54</sup> Application, Exhibit E-1 at 13.

26 <sup>55</sup> Application, Exhibit E-1 at 15.

1 Merger of Service Territory and Revocation of Certificate No. 43

2 Other than Bethel specific rates, AVEC proposes serving BUCI's  
3 customers pursuant to the terms of AVEC's existing tariff, the same terms applicable to  
4 service provided by AVEC under Certificate No. 169.<sup>56</sup> This proposal is consistent with  
5 AVEC's past practice when acquiring new village systems.<sup>57</sup>

6 Under these circumstances, we see no public benefit in requiring AVEC to  
7 provide service under two separate certificates, and we do see the potential for  
8 confusion to the public. Therefore, consistent with our past practice,<sup>58</sup> we transfer the  
9 service territory for Certificate No. 43 to Certificate No. 169 and revoke Certificate  
10 No. 43 effective on the date that the purchase transaction closes. A revised service  
11 area description for Certificate No. 169 is included with this order as an appendix.  
12 Bethel has a U.S. Geological Service (USGS) map on file with us. Commission Staff  
13 will mark that map as having been transferred and include it with AVEC's other USGS  
14 maps under Certificate No. 169.

15 Final Order

16 This order constitutes the final decision in this proceeding. This decision  
17 may be appealed within thirty days of this order in accordance with AS 22.10.020(d) and  
18 the Alaska Rules of Court, Rules of Appellate Procedure, Rule 602(a)(2). In addition to  
19 the appellate rights afforded by AS 22.10.020(d), a party has the right to file a petition  
20 for reconsideration in accordance with 3 AAC 48.105. If such a petition is filed, the time

21 \_\_\_\_\_  
22 <sup>56</sup>Application at 6.

23 <sup>57</sup>See Order U-11-097(5), *Order Approving Transfer, Requiring Filing, Merging*  
*Service Territories, and Revoking Certificate*, dated January 6, 2012 (Order  
24 U-11-097(5)), at 7.

25 <sup>58</sup>See Order U-11-097(5) at 7 (revoking original certificate after transfer to  
26 AVEC).

1 period for filing an appeal is then calculated in accordance with Alaska Rules of Court,  
2 Rules of Appellate Procedure, Rule 602(a)(2).

3 **ORDER**

4 THE COMMISSION FURTHER ORDERS:

5 1. The *Joint Application for Transfer of Certificate of Public Convenience*  
6 *and Necessity No. 43*, filed June 11, 2013, by Alaska Village Electric Cooperative, Inc.  
7 and Bethel Utilities Corporation, Inc., as amended on August 28, 2013, and  
8 supplemented on September 20, 2013, is granted effective on the date of closing of the  
9 purchase of Bethel Utilities Corporation, Inc. utility assets by Alaska Village Electric  
10 Cooperative, Inc.

11 2. Within thirty days after the final closing, Alaska Village Electric  
12 Cooperative, Inc. shall file notice that its purchase of the Bethel Utilities Corporation,  
13 Inc. utility assets has closed.

14 3. The service area description for Certificate of Public Convenience and  
15 Necessity No. 169 for Alaska Village Electric Cooperative, Inc., as modified to include  
16 the service area description for Certificate of Public Convenience and Necessity No. 43  
17 and attached as an appendix to this order, is approved.

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4. Certificate of Public Convenience and Necessity No. 43 authorizing  
Bethel Utilities Corporation, Inc. to provide electric utility service is revoked.  
DATED AND EFFECTIVE at Anchorage, Alaska, this 29th day of October, 2013.

BY DIRECTION OF THE COMMISSION  
(Commissioners Paul F. Lisankie and T.W. Patch,  
not participating.)



**Regulatory Commission of Alaska**  
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(907) 276-6222; TTY (907) 276-4533