

**PETERSBURG BOROUGH  
ORDINANCE #2021-12**

**AN ORDINANCE AUTHORIZING THE ISSUANCE OF ELECTRIC UTILITY  
REVENUE BONDS IN AN AGGREGATE AMOUNT NOT TO EXCEED \$7.8  
MILLION TO FINANCE THE BLIND SLOUGH HYDROELECTRIC  
REFURBISHMENT PROJECT AND THE SCOW BAY STANDBY GENERATION  
PROJECT AND DIRECTING THAT THIS MATTER BE SUBMITTED TO THE  
VOTERS FOR CONSIDERATION AT THE NEXT REGULAR ELECTION TO BE  
HELD ON OCTOBER 5, 2021.**

**WHEREAS**, the Borough dba Petersburg Municipal Power and Light (the "Utility") provides electric service to the residents and businesses of Petersburg and desires to complete the Blind Slough Hydroelectric Refurbishment and the Scow Bay Standby Generation project (cumulatively, the "Project") following all required approvals and for the benefit of all Petersburg residents and businesses;

**WHEREAS**, the Utility has operated the Blind Slough plant for almost 100 years, and at present it provides almost twenty-five percent (25%) of the power to the community;

**WHEREAS**, the power provided by the Blind Slough plant is available to the community at a lower cost than the power obtained from the Southeast Alaska Power Agency (SEAPA), and thus continued operation of the plant is substantially beneficial to the community;

**WHEREAS**, the equipment and machinery of the Blind Slough plant was last updated in 1957, and is in need of repair and replacement;

**WHEREAS**, repairing and replacing the Blind Slough equipment and machinery now, prior to plant failure, would prevent the community from being solely dependent upon SEAPA for its power during an extended shutdown of the plant;

**WHEREAS**, the Utility has, through a competitive proposals process, obtained bids for purchasing the new equipment, consisting of a generator, turbine, switchgear and related machinery for the Blind Slough plant, and entered into a contract with a supplier for the approximate amount of \$2.3 million, which is contingent upon voter approval of this proposition;

**WHEREAS**, the Utility estimates that the engineering, inspection, permitting, labor and additional costs of installing the new Blind Slough equipment and completing the Project would total approximately \$6.7 million, for a total estimated Project cost of \$9.0 million, of which the Utility wishes to finance up to \$6.3 million with approval of this proposition;

**WHEREAS**, the Utility has tracked a rise in peak system demand during winter months that is within 5% of total local generation capacity that would impact restoration to all customers in the event of a loss of the SEAPA-transmitted power supply;

**WHEREAS**, the Utility desires to contract for design, equipment procurement, installation and commissioning of adequate standby generation to meet peak power demands and provide a power generation safeguard in the event of a loss of hydroelectric power, known as the Scow Bay Standby Generation project, at a total estimated cost of \$1.4 million, and wishes to finance up to \$980,000 for this purpose with approval of this proposition;

**WHEREAS**, upon completion of the Project, the newly refurbished Blind Slough plant is anticipated to not require substantial upgrades for over thirty years, and the new Scow Bay 2 generation would add diesel generation to cover peak loading of the Petersburg system for the next 10 years, which would be beneficial to both the residents and businesses of the Petersburg community;

**WHEREAS**, the Utility has planned to fund up to 30% of the cost of the Project with electric fund reserves;

**WHEREAS**, the estimated costs of issuance of the bonds, including bond counsel fees, Bond Bank fees and associated professional services, are expected to be approximately \$100,000;

**WHEREAS**, the issuance of revenue bonds requires that a dedicated debt service reserve account be established to provide security to the annual bond debt service and must hold an amount equal to the estimated annual debt service on the bond, estimated to be approximately \$420,000;

**WHEREAS**, the issuance costs and the debt service reserve account will be included in the principal of the bond issuance amount;

**WHEREAS**, the Assembly wishes to authorize the issuance of bonds, payable only from the revenue of the electric utility, in an amount not to exceed \$7.8 million in aggregate principal amount (the "Bonds") to pay the Project costs, including making a deposit to a debt service reserve and paying the costs of issuance of the Bonds;

**WHEREAS**, it is anticipated that an increase in electric billing rates will be adopted to generate adequate funds to pay the indebtedness, consistent with the D. Hittle and Associates 2021 rate study conducted by Mr. John Heberling; and

**WHEREAS**, the Assembly finds that it is vital to the long-term economic interests of the Petersburg Borough to incur long-term debt in order to maintain the safe and efficient functionality of the Blind Slough plant and to ensure adequate standby diesel generation in the event of a loss of hydroelectric power, and, pursuant to the provisions of Section 13.04, it wishes to submit this matter to the qualified voters of the Borough for their consideration.

**THEREFORE, THE PETERSBURG BOROUGH ORDAINS**, as follows:

**SECTION 1. Classification:** This ordinance shall not be codified in the Petersburg Municipal Code.

**SECTION 2. Purpose:** The purpose of this ordinance is to submit the question to the Borough voters at the next regular election to authorize long-term indebtedness, through issuance of Bonds, to finance: (i) improvements to the Borough electric utility system's Blind Slough plant and the Scow Bay Standby Generation project, and to pay incidental costs incurred in connection with carrying out such improvements (the "Project"); and (ii) to pay the costs incident to financing the Project, including providing for a debt service reserve, if necessary, and paying the costs of issuance of the Bonds.

### **SECTION 3. Substantive Provisions:**

**A.** The Borough Assembly hereby (i) determines that it is in the best interests of the Borough to undertake the Project, consisting of capital improvements in the form of refurbishment of the Blind Slough hydroelectric plant (including without limitation replacement of the generator, turbine and switchgear) and construction of the Scow Bay Standby Generation project, and (ii) authorizes long-term indebtedness for the purpose of financing the Project, in the form of issuance of Bonds that shall be a revenue obligation of the electric utility only, payable solely from the gross revenues of the Utility after payment of maintenance and operations expenses, in an amount not to exceed the total principal sum of \$7.8 million.

The cost of all necessary architectural, engineering, legal and other consulting services; site acquisition or improvement (e.g., clearing and demolition); on and off-site utilities and related improvements; payments for fiscal and legal expenses; printing, advertising, establishing and funding accounts; necessary and related planning, consulting, inspection and testing costs; administrative expenses; and other similar activities or purposes incurred in connection with the Project shall be deemed a part of the costs of such capital improvements. The Borough may modify details of the Project as it may find necessary or advisable. The Project, or any portion or portions thereof, shall be made insofar as is practicable with available money and in such order of time as shall be deemed necessary or advisable by the Borough. The economic life of the Project is expected to exceed the life of the Bonds.

The Borough shall determine the application of available money between the various portions of the Project so as to accomplish, as near as may be, all of the Project. If available money from the proceeds of the Bonds is more than sufficient to pay the costs of the Project, or if state or local circumstances require any alteration in the Project, the Borough may acquire, construct, equip and make other capital improvements to the Utility's facilities or infrastructure or may retire and/or defease a portion of the Bonds, all as the Borough may determine and as permitted by law. If the proceeds of the sale of the Bonds and other available money are insufficient to make all of the capital improvements herein provided for, or if it has become impractical to accomplish the Project or portions of the Project, the Borough may use the proceeds of the Bonds and other available money for paying the costs of those portions of the Project deemed by the Borough to be most necessary and in the best interest of the Borough.

**B.** The Bonds will be issued and sold in the amounts and at the time or times as they Assembly finds necessary and advisable and as permitted by law. The Bonds may be issued in one or more series and shall mature in the amounts and at the times within a maximum term of 25 years from the date of issuance of the Bonds, all as authorized by the Assembly and as provided by law. The date, form, interest rates, terms, redemption provisions, maturities, covenants and manner of sale of the Bonds shall be as hereafter provided by the Assembly. After voter approval of the Bond proposition set forth in Paragraph C of this ordinance, and in anticipation of the issuance of the Bonds, the Borough may issue short-term bond anticipation notes as authorized by the laws of the State of Alaska and the Borough Charter.

**C.** The question of whether to authorize this indebtedness shall be submitted to the qualified voters of the Petersburg Borough at the regular municipal election to be held on October 5, 2021. The ballot proposition to be submitted to the voters shall read substantially as follows:

PROPOSITION NO. \_\_\_\_\_  
NOT TO EXCEED \$7,800,000 REVENUE BONDS  
BLIND SLOUGH HYDROELECTRIC PLANT REFURBISHMENT AND SCOW BAY  
STANDBY GENERATION  
(Assembly Ordinance #2021-12)

Shall the Petersburg Borough incur long-term indebtedness, in a total principal amount not to exceed Seven Million Eight Hundred Thousand dollars (\$7,800,000) for the purpose of refurbishment of the Blind Slough hydroelectric plant and construction of the Scow Bay Standby Generation project, including paying incidental costs incurred in connection with carrying out and financing such improvements? The indebtedness would be in the form of electric utility revenue bonds, payable solely from the gross revenues of the electric utility after payment of costs of operation and maintenance, with a term not to exceed 25 years, and be a revenue obligation of the electric utility only.

- Yes
- No

D. The Borough Manager and Utility Director are authorized to provide informational documents to the voters regarding this proposition and are directed to cause notice of the election to be published in accordance with Section 13.02 of the Borough Charter.

**SECTION 4. General Authorization; Ratification:** The proper Borough officials are authorized to perform such duties as are necessary or required by law to the end that the question of whether or not the Bonds shall be issued as provided in this ordinance, shall be submitted to the voters of the Borough at the October 5, 2021 election. Any action taken consistent with the authority and prior to the effective date of this ordinance is hereby ratified, approved and confirmed.

**SECTION 5. Intent to Reimburse:** The Borough Assembly declares that to the extent that the Borough makes capital expenditures for the Project prior to the date the Bonds or other short term obligations are issued to finance the Project from funds that are not (and are not reasonably expected to be) reserved, allocated on a long-term basis or otherwise set aside by the Borough under its existing and reasonably foreseeable budgetary and financial circumstances to finance the Project, those capital expenditures are intended to be reimbursed out of proceeds of the Bonds or other short term obligations issued in an amount not to exceed the principal amount of the Bonds provided by this ordinance.

**SECTION 6. Severability:** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person and circumstance shall not be affected.

**SECTION 7. Effective Date:** This ordinance is effective upon passage. The indebtedness contemplated by this ordinance shall be considered approved by the voters upon certification of the October 5, 2021 election results reflecting approval of the proposition. If such proposition is approved by the requisite number of voters, the Borough shall be authorized to issue the Bonds in the manner described in this ordinance, to spend the proceeds thereof to pay the costs of the Project and the costs of issuance and sale of such Bonds within ten years as provided by Section 13.08 of the Borough Charter.

Passed and approved by the Petersburg Borough Assembly, Petersburg, Alaska,  
this 16<sup>th</sup> day of August, 2021.

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Mark Jensen, Mayor

ATTEST:

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Debra K. Thompson, Borough Clerk

Adopted:  
Published:  
Effective: