



**Contract for
Study of the Railbelt Electrical Grid Authority**

**Between Black & Veatch Corporation
And
The Alaska Energy Authority**

**RFP 2008-0800-7425
Contract # AEA 08-011**

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Standard Agreement Form for Professional Services

1. Agency Contract Number AEA 08-011	2. ASPS Number 2008-0800-7425	3. Financial Coding RQ 746	4. Encumbrance Number
5. Vendor Number	6. Project/Case Number	7. Alaska Business License Number ABL 262940	

This contract is between

8. **THE ALASKA ENERGY AUTHORITY (AEA)** hereafter the State, and

9. Contractor
Black & Veatch hereafter the contractor

Mailing Address	Street or P.O. Box	City	State	ZIP+4
11401 Lamar Avenue. Overland Park, Kansas		Phone: 813-458-2000		

10. **ARTICLE 1. Appendices:** Appendices referred to in this contract and attached to it are considered part of it.

ARTICLE 2. Performance of Service:

2.1 **Appendix A (General Provisions)**, Articles 1 through 14, governs the performance of services under this contract.

2.2 **Appendix B** sets forth the liability and insurance provisions of this contract.

2.3 **Appendix C** sets forth the services to be performed by the contractor .

ARTICLE 3. Period of Performance: The period of performance for this contract begins November 8, 2007 , and ends September 30, 2008 .


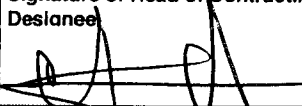
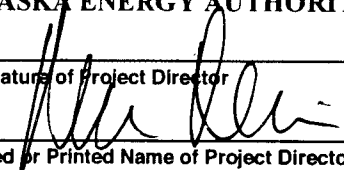
ARTICLE 4. Considerations:

4.1 In full consideration of the contractor 's performance under this contract, the State shall pay the contractor a sum not to exceed \$ 497,860.00 in accordance with the provisions of Appendix D.

4.2 When billing the State, the contractor shall refer to the Agency Contract Number and send the billing to:

11. **ALASKA ENERGY AUTHORITY**

Mailing Address 813 West Northern Lights, Anchorage, Alaska 99503	Attention: Jim Strandberg, Project Manager
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12. CONTRACTOR		14. CERTIFICATION: I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alternations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the verity, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.815-.820. Other disciplinary action may be taken up to and including dismissal.	
Name of Firm Black & Veatch			
Signature of Authorized Representative 	Date 11/6/07		
Typed or Printed Name of Authorized Representative RICHARD J. RUDDEN			
Title S.V.P.			
13. CONTACTING AGENCY		Signature of Head of Contracting Agency or Designee 	Date 11-6-07
ALASKA ENERGY AUTHORITY	Date 11.6.07	Typed or Printed Name Christopher Rutz	
Signature of Project Director 	Title Procurement Manager		
Typed or Printed Name of Project Director & Title Ron Miller, Executive Director			

NOTICE: This contract has no effect until signed by the head of contracting agency or designee.

APPENDIX A GENERAL PROVISIONS

Article 1. Definitions.

- 1.1 In this contract and appendices, "Project Director" or "Agency Head" or "Procurement Officer" means the person who signs this contract on behalf of the Requesting Agency and includes a successor or authorized representative.
- 1.2 "State Contracting Agency" means the Alaska Energy Authority for which this contract is to be performed and for which the Executive Director or Authorized Designee acted in signing this contract.

Article 2. Inspection and Reports.

- 2.1 The Authority may inspect, in the manner and at reasonable times it considers appropriate, all the contractor's facilities and activities under this contract.
- 2.2 the contractor shall make progress and other reports in the manner and at the times the department reasonably requires.

Article 3. Disputes.

Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided in accordance with AS 36.30.620-632.

Article 4. Equal Employment Opportunity.

- 4.1 the contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, disability, sex, marital status, changes in marital status, pregnancy or parenthood when the reasonable demands of the position(s) do not require distinction on the basis of age, disability, sex, marital status, changes in marital status, pregnancy, or parenthood. The contractor shall take affirmative action to insure that the applicants are considered for employment and that employees are treated during employment without unlawful regard to their race, color, religion, national origin, ancestry, disability, age, sex, marital status, changes in marital status, changes in marital status, pregnancy or parenthood. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.
- 4.2 the contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, disability, sex, marital status, changes in marital status, pregnancy or parenthood.
- 4.3 the contractor shall send to each labor union or representative of workers with which the contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' compensation representative of the contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.
- 4.4 the contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any contract or subcontract, as required by

this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.

- 4.5 the contractor shall cooperate fully with State efforts which seek to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.
- 4.6 Full cooperation in paragraph 4.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting inspection of the contractor's facilities; and promptly complying with all State directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and State laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.
- 4.7 Failure to perform under this article constitutes a material breach of the contract.

Article 5. Termination.

The Project Director, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 6. No Assignment or Delegation.

the contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Project Director and the Agency Head.

Article 7. No Additional Work or Material.

No claim for additional services, not specifically provided in this contract, performed or furnished by the contractor, will be allowed, nor may the contractor do any work or furnish any material not covered by the contract unless the work or material is ordered in writing by the Project Director and approved by the Agency Head.

Article 8. Independent Contractor.

the contractor and any agents and employees of the contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 9. Payment of Taxes.

As a condition of performance of this contract, the contractor shall pay all federal, State, and local taxes incurred by the contractor and shall require their payment by any Subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 10. Ownership of Documents.

All designs, drawings, specifications, notes, artwork, and other work developed in the performance of this agreement are produced for hire and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the contractor. The

contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The Contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Project Director. Unless otherwise directed by the Project Director, the contractor may retain copies of all the materials.

Information provided by Contractor to the Authority in any form in connection with the contract is provided solely for the Authority's own use and for the purpose for which the contractor was engaged. In no case will any such information be used in connection with any offering or sale of securities or any other financing transaction. Contractor makes no warranty or representation and assumes no liability in respect of (a) the wrongful or unauthorized use of information by the Authority or third parties, and (b) the accuracy or completeness of information based on data gathered from the Authority or provided by third parties on behalf of or at the instruction of the Authority (and Contractor is able to rely on such information without verification in the performance of the contract).

If the Authority uses such documents for any other purpose or project, the Authority shall do so at its sole risk. This Article 10 shall survive completion or earlier termination of the contract.

The Contractor may include a Disclaimer statement, acceptable to the Authority, in the studies, deliverables, and work product produced by Contractor pursuant to this Agreement. All work products or deliverables provided by Contractor to Authority shall be strictly subject to such a Disclaimer.

Article 11. Governing Law.

This contract is governed by the laws of the State of Alaska. All actions concerning this contract shall be brought in the Superior Court of the State of Alaska.

Article 12. Conflicting Provisions.

Unless specifically amended and approved by the department of Law the General Provisions of this contract supersede any provisions in other appendices.

Article 13. Officials Not to Benefit.

Contractor must comply with all applicable federal or State laws regulating ethical conduct of public officers and employees.

Article 14. Covenant Against Contingent Fees.

the contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee except employees or agencies maintained by the contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage or contingent fee.

APPENDIX A - SUPPLEMENTAL GENERAL PROVISIONS

Article 15 Conflicts between the Contract, RFP, or Contractors Proposal (3.6)

If after award of a contract a conflict arises between terms offered in contractor's proposal and the terms of the contract the terms of the contract will prevail.

Article 16 Payment Procedures (3.7)

The Authority will pay the contractor in accordance with Appendix D based upon satisfactory completion of tasks, review of the required deliverables, and submission of an invoice from the contractor.

No payment shall be made until the invoice has been approved and authorized by the Project Manager. Under no condition will the Authority be liable for the payment of any interest charges associated with the cost of the contract.

The Authority is not responsible for and will not pay any local, state, or federal taxes. All costs associated with the contract must be stated in U.S. currency. If a contractor is delinquent on payment of state taxes the payment provisions of the contract may be subject to review and approval by the Department of Revenue prior to award.

Contractor may submit an invoice monthly passed on the percentage of work completed. Invoices may be submitted electronically by email to psmith@aidea.org and crutz@aidea.org. In such event, the electronic copy of the invoice will be considered the official invoice and will not be followed by a hard copy invoice. State shall give Contractor prompt written notice of disputed items in an invoice and shall pay Contractor the undisputed portion of the invoice. Contractor is under no obligation to submit any deliverable if any undisputed invoice is more than 45 days outstanding.

Article 17 Contract Personnel (3.8)

The Authority reserves the right to approve or disapprove any change in the Contractor's project team members whose participation in the project was specifically offered in the proposal. Similarly, changes in the amount of participation by key project members will require AEA approval. This is to ensure that persons with vital experience and skill remain fully involved in the project.

Requests for any change in contractor personnel shall be submitted in writing to the Authority for the Authority's review and sign-off before the change is made. Contractor personnel changes, not approved by the Authority, may be cause for the Authority to terminate the contract.

Article 18 Subcontractors (3.9)

The Authority must approve the use or replacement of subcontractors. Replacement of subcontractors may only be made in accordance with approval of the Project Manager.

Article 19 Contract Invalidation (3.12)

If any provision of the contract is found to be invalid, such invalidation will not be construed to invalidate the entire contract.

Article 20 Termination for Default (3.13)

If the contractor refuses or fails to perform the work, or any separable part thereof, with such diligence as will ensure its completion within the written contracted time frame, the Authority may, by written notice to the contractor, terminate the right to proceed with the work or such part of the work as to which there have been delays. This clause does not restrict AEA termination rights under the general contract provisions of Appendix A, which is attached to this RFP in the contract documents package.

Article 21 Conflict of Interest (3.14)

the contractor may be precluded from participating in future projects that are generated by or in conflict with the performance of this contract and may result in financial benefit to the contractor .

Article 22 Contract Changes (3.16)

During the course of performing the work required by this contract, the contractor may be requested to perform additional work within the general scope of the contract.

When additional work is required, the Project Manager shall forward to the contractor a description of the work to be accomplished and request that a proposal be offered within a given time period. No additional work shall commence by the contractor without an approved written contract amendment by the Procurement Officer.

Article 23 Right to Inspect Place of Business (3.17)

At reasonable times, the Authority may inspect those areas of the contractor 's place of business that are related to the performance of a contract. If the Authority makes such an inspection, the contractor must provide reasonable assistance.

Article 24 Confidentiality and Ownership of Documents (3.18)

All data, maps, drawings, photographs, mosaics, plans, reports, recommendations, estimates, documents, computer files and all other data compiled by or received by the contractor under this Contract shall be treated by the contractor as confidential and shall be delivered only to the Authority project manager or other authorized officials as required in the contract. Their contents shall not be made known by the contractor to any person other than personnel of the contractor performing services under this Contract without written consent of the Authority.

Article 25 Reimbursement to the Authority for Unacceptable Deliverables (3.19)

the contractor is responsible for quality, occurrence and completion of all work identified by the contract. All work shall be subject to evaluation and inspection by the Authority at all times to assure satisfactory progress, to be certain that work is being performed in accordance with the contract specifications, terms and conditions, and to determine if corrections and modifications are necessary. Should such inspections indicate substantial failure on the part of the contractor , the Authority may Terminate the contract for default.

Article 26 Warranty

Contractor warrants that it will perform its services in accordance with the standards of care and diligence normally practiced by recognized consulting firms in performing services of a similar nature in existence at the time of performance of the services. If, during the six-month period following completion of the contractor 's services hereunder, it is shown there is an error in Contractor's services caused by Contractor's failure to meet such standards and the State has notified Contractor in writing of any such error within that period, Contractor shall re-perform, at no additional cost to the State, such services within the original Scope of Services as may be necessary to remedy such error. Contractor shall have no liability for defects in the services attributable to Contractor's reliance upon or use of data, design criteria, drawings, specifications, or other information furnished by the State.

EXCEPT AS PROVIDED IN THIS ARTICLE 26, CONTRACTOR MAKES NO OTHER WARRANTIES OR GUARANTEES, EXPRESS OR IMPLIED, RELATING TO CONTRACTOR'S SERVICES. CONTRACTOR DISCLAIMS ANY IMPLIED WARRANTIES OR WARRANTIES IMPOSED BY LAW INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR

PURPOSE. This Article provides Contractor's sole warranty and guarantee obligation and the State's exclusive remedy in respect of quality of the contractor 's services.

Contractor's opinions, estimates, projections, and forecasts of current and future costs, revenues, other levels of any sort, and events shall be made on the basis of available information and Contractor's expertise and qualifications as a professional. Contractor does not warrant or guarantee that opinions, estimates, projections or forecasts will not vary from actual outcomes.

Article 27 Limitations

Neither party shall be liable to the other party for loss of profits or revenue; loss of use; loss of opportunity; loss of goodwill; cost of substitute facilities, goods or services; cost of capital; cost of replacement power; governmental and regulatory sanctions; and claims of customers for such damages; or for any special, consequential, incidental, indirect or exemplary damages. Except for an obligation to make payments, neither party shall be in default to the extent any nonperformance is caused by a circumstance beyond such party's reasonable control. The warranties, obligations, liabilities and remedies of the parties, as provided herein, are exclusive and in lieu of any others available at law or in equity. Contractor's total aggregate liability under this contract shall not exceed the compensation received by Contractor under this contract except as to liability under Article 1 Appendix B. To the fullest extent allowed by law, releases from, waivers of, and limitations of liability shall apply notwithstanding the breach of contract, tort including negligence, strict liability or other theory of legal liability of the party released or whose liability is limited.

APPENDIX B¹ INDEMNITY AND INSURANCE

Article 1. Indemnification

The Contractor shall indemnify, hold harmless, and defend the contracting agency from and against any claim of, or liability for bodily injury, death, or third party property damage to the extent caused by the negligent act, error or omission of the Contractor under this agreement. The contractor shall not be required to indemnify the contracting agency for a claim of, or liability for, the independent negligence of the contracting agency. If there is a claim of, or liability for, the joint negligent error or omission of the contractor and the independent negligence of the Contracting agency, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis. "Contractor" and "Contracting agency", as used within this and the following article, include the employees, agents and other contractors who are directly responsible, respectively, to each. The term "independent negligence" is negligence other than in the Contracting agency's selection, administration, monitoring, or controlling of the contractor and in approving or accepting the contractor's work.

Article 2. Insurance

Without limiting Contractor's indemnification, it is agreed that Contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. Certificates of Insurance must be furnished to the Contracting Officer prior to beginning work and must provide for a 30-day prior notice of cancellation, nonrenewal or material change of conditions. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this contract and shall be grounds for termination of the contractor's services. All insurance policies shall comply with, and be issued by insurers licensed to transact the business of insurance under AS 21.

2.1 Workers' Compensation Insurance: the contractor shall provide and maintain, for all employees engaged in work under this contract, coverage as required by AS 23.30.045, and; where applicable, any other statutory obligations including but not limited to Federal U.S.L. & H. and Jones Act requirements. The policy must waive subrogation against the State.

2.2 Commercial General Liability Insurance: covering all business premises and operations used by the contractor in the performance of services under this agreement with a limit of 300,000 per occurrence/aggregate.

2.3 Commercial Automobile Liability Insurance: covering all vehicles used by the contractor in the performance of services under this agreement with a limit of 300,000 per occurrence/aggregate.

C.1 Contract Intent

The purpose of the contract is to:

- Study the management, operation, access rules, ownership, integrated resource planning, and regulatory structures of the railbelt electrical grid.
- Analyze and provide recommendations of possible alternative structures to manage and dispatch electric power in the railbelt electrical grid. Alternative structures such as a Railbelt Electrical Grid Authority (REGA) and an independent or unified system operator will be evaluated.
- Provide a final work product for stakeholders and decision makers to consider in planning how to meet the railbelt energy needs over the next 30 years.

The goal is to provide a recommendation and plan of action intended to lead to economical electrical energy and reasonable reliability and availability for all railbelt ratepayers for the next 30 years.

C.2 General Requirements

The contractor will analyze and develop recommendations on whether and *how* the railbelt grid should be reconfigured to provide for a REGA. The range of scenarios the contractor will analyze may be as basic as a voluntary cooperative dispatch or as complex as centralized management, operation, ownership and control of the entire Railbelt Electrical Grid.

The contractor shall assess whether a REGA can be implemented cooperatively by utilities or whether a separate business entity is required. The analysis will consider regulatory constraints, as well as system reliability requirements and the ability of Railbelt Utilities to accept and accommodate REGA under their present business structures.

The contractor will consider the existing power sales agreements between utilities, as well as the underlying supply contracts which fuel generation resources.

The contractor will make use of all available studies of the railbelt grid, shall consider all available system modeling, and provide any additional modeling considered necessary to provide a range of options supported by legal, regulatory, and economic analysis.

In developing their recommendations, the contractor will:

- Collect all data required to provide a complete analysis of REGA options.
- Conduct research and interview sources to verify the accuracy of data.
- Determine the sequencing and the methods and means for acquiring the information.
- Verify the accuracy of previous reports and available data and update data as needed.
- Develop cost information for a REGA.
- Note any exclusions or additional information that AEA should further evaluate or consider that may have been outside the scope of contract.
- Provide a sound basis for the contractor's recommendation.

C.3 Project Personnel

The table below lists key personnel by task indicating their duties on this project. Personnel listed as Leads may be responsible for either a task or a sub-task.

Kevin Harper	Project Manager Business Case Development and Stakeholder Interface Lead
Myron Rollins	Power Delivery and Market Analyses Lead
Ed Overcast	Tariff/Regulatory Analysis Lead
Doland Cheung	Business Case Development and Stakeholder Interface Support
Brad Kushner	Power Delivery and Market Analyses Support
Scott Smith	Fuels Analysis Support
Jim Gooding	Fuels Analysis Support
Margaret Arecco-Stanco	Tariff/Regulatory Analysis Support and Other Technical Support
Tom Peterson	Quality Assurance/Quality Control
As Assigned	Technical Assistance
As Assigned	Administrative Support

C.4 Tasks

Below is a list of tasks the contractor is expected to complete. Some of these tasks may run concurrently while others are expected to be undertaken in sequence.

In addition to the tasks below the contractor should plan for at least three (3) meetings during the course of the contract to make presentations on the status of the study to the AEA Board or other interested stakeholder groups in Anchorage.

Task 1 – Initiate Project

This task is critical to ensure a quick and effective start to the project. The contractor will engage key AEA management personnel in a general kick-off meeting. During this kick-off meeting and related discussions, we will:

- Confirm project objectives and deliverables.
- Discuss general strategic issues and considerations.
- Identify AEA and Contractor team members.
- Discuss AEA management and staff involvement.
- Discuss procedures for interacting with stakeholders.
- Finalize project schedule.
- Confirm list of stakeholders
- Amend the contract as needed to reflect a complete understanding of deliverables and schedule.

Task 2 Data Collection – Existing Reports and Documents:

The contractor will develop a data request, and collect and review available resource material regarding Railbelt energy issues. This includes data, documents and reports listed in Attachment B and other documents or data gathered from the contractor's independent research. The contractor shall create from available resources a comprehensive description of the Railbelt grid, to include all existing generation facilities and transmission lines, including physical characteristics, ownership and constraints of the Railbelt energy system.

Task 3 Attend and Assist in a Technical Conference:

AEA will sponsor a technical conference November 26 and 27, 2007, in Anchorage. The conference will bring experts and stakeholders together. The intent of the conference is to

publicize the work to be done under this contract, inform stakeholders of the current status and condition of the railbelt electrical grid, and to develop public awareness of the issues surrounding the railbelt grid.

The contractor will attend this conference, present their approach to completing the analysis and recommendations under this contract, and assist AEA in selecting potential presenters and modifications to the agenda as may be appropriate.

Conference sessions are currently scheduled to be:

- Session 1. The Railbelt as it now exists: What is there, and who owns and controls it?
- Session 2. Where are the current and future fuel supplies?
- Session 3. How does Alaska fund railbelt energy infrastructure?
- Session 4. What is the status of potential generation projects for the Alaskan railbelt?
- Session 5. What are the utilities' current plans with respect to mergers, and coordinated development?
- Session 6. What are the Railbelt Utilities planning individually, and how do these plans fit together?
- Session 7. What is the current regulatory regime of the railbelt and are there regulatory limitations to unified or independent operations?
- Session 8. Round Up: Round table discussions with facilitator. What actions are necessary to maintain and grow the railbelt electrical grid?

Task 4 Data Collection – Current Information from Stakeholders:

The contractor will collect current information from railbelt stakeholders regarding their plans and views towards implementation of a REGA. This may include interviews, surveys, or other means the contractor believes may be appropriate for collecting this information.

It is expected that the contractor will be able to gather information from interested stakeholders during the technical conference, however, it is anticipated that due to the short time frame from the anticipated contract award to the conference, the contractor will need time to prepare for and complete the data collection contemplated under this task. This data collection effort will be driven by a general informational request that will be sent to all stakeholders. The contractor will also conduct interviews and use other sources of information, as necessary, to complete this data collection effort. The contractor will gather data or conduct interviews with approximately thirty (30) different stakeholder groups or individuals as defined in Task 1.

Reference Appendix C for a list of proposed stakeholders the proposed list including contact names and numbers will be defined in task one.

Task 5 Advisory Group Meetings:

The contractor will participate in a minimum of five (5) advisory work group meetings to brief the group on progress and collect data as may be required. Each meeting will be approximately four (4) hours, with Contractor, Project Manager, and a minimum of four (4) experts or stakeholders represented at each meeting. Two meetings will be conducted in Anchorage, as well as one in Kenai, one in Palmer, and one in Fairbanks, Alaska.

Task 6 Develop REGA Scenarios:

The contractor will develop and recommend up to three (3) feasible REGA scenarios, complete with assessment of costs and benefits, and collective and individual impacts on utility tariffs, for reasonable generation fuel supply configurations.

Evaluation of these scenarios will include the following:

- Analysis regulatory requirements and business structures.
- Analysis of possible REGA business structures (at least four), benefits and drawbacks to implementing each structure in the railbelt, level of responsibility or railbelt operations, and difficulty of implementation.
- Preliminary recommendation for a suitable REGA business structure, level of responsibility, implementation schedule, and preliminary cost/benefit analysis.
- Analysis of why previous REGA type studies have not resulted in the formation of one effective and equitable REGA organization. Make recommendations as to how the public and state can motivate the implementation of a REGA.
- A draft report summarizing analyses and recommendations.

Task 7 Develop Implementation Plans:

For the most feasible REGA scenarios, the contractor will develop an implementation plan. The plan will include:

- A narrative description of implementation tasks, and list and description of tasks and new agreements.
- A proforma budget defining costs for implementation
- A schedule organized by work activity, to accomplish implementation

Task 8 Presentation of Scenarios and Plans to Stakeholders:

The contractor will prepare a draft report in the form and format approved by AEA for presentation to stakeholders. At a minimum the draft report will include the contractor's recommendations and conclusions and provide stakeholders an opportunity for review and comment within a reasonable time period. The contractor will incorporate Stakeholder comments into its final Draft report.

Task 9 Draft Final Report:

The draft final report shall be provided to AEA for final review and comments. The draft final report should include:

- An Executive Summary (study methodology, assumptions used, scenarios considered, and scenarios recommended).
- Detailed analysis of three (3) feasible scenarios that includes for each:
 - Business Structure
 - Markets and Market Structures
 - Regulatory Issues
 - Transmission Lines Costs and Issues
 - Power Generation Costs and Issues
 - Preliminary Implementation Plan and Schedule
- Comparative analysis of various scenarios. This should include a matrix and/or Excel spreadsheet that could be used to analyze changes to the variables in the different development scenarios.
- Bibliography
- Copies of written response from stakeholders' review of the draft report

The actual scope and content of the final report will be negotiated between AEA and the contractor prior to contract award.

Task 10 Final Report:

Revise report and include comments transmitted by AEA Project Manager that includes AEA in-house review and advisory group comments. Transmit final draft to AEA.

Task 11 Presentation Services:

The contractor may be requested to provide a MS PowerPoint presentation summarizing the report findings including summary descriptions of the REGA scenarios that were developed, recommended feasible scenarios and implementation plans, as well as report basic assumptions, summary conclusions, and recommendations.

In addition, the contractor may be asked to make a presentation by firm principals for public forums, legislative committees, government agencies including the AEA Board, the Utility Boards, and the Governor's office.

C.5 Considerations

In order to complete work the contractor, at a minimum, must address the following issues in developing their recommendations. The contractor will discuss with the state during Task 1 any additional issues they believe should be addressed to achieve the desired study goals.

The feasibility analysis shall:

- Consider a 30-year planning horizon.
- Be based on a cost-to-benefit approach where present values of costs to ratepayers are assessed for a base case of continuing present operating regimes of the Railbelt Utilities.
- Consider incremental changes in both regulatory regime and market structure, and the cost of implementing a REGA expressed in an annual proforma budget format.
- Consider the current regulatory regime under which utilities operate. This shall include, but not be limited to, compliance with the RCA statutes, consideration of the optional FERC rules under Order 888, and FERC order 2000.
- Analyze the relationship of the REGA to serving utilities.
- Analyze regulatory and market changes necessary to allow for the inclusion of all viable power supply sources and fuel sources.

This analysis should include consideration of the following issues:

- The range of available business structures that could be employed to implement joint dispatch and joint planning;
- The range of available generation fuels available;
- Changes necessary in the market structure of the railbelt to implement the REGA;
- Whether economic dispatch should be through a pooled arrangement or through a separate entity;
- Whether utilities should continue to do service area specific integrated resource planning, or should there be a single regional IRP;
- Whether all Railbelt Utilities should be required to participate in and be bound by the regional integrated resource planning decisions; and,
- Whether investment decisions under a REGA should be subject to individual Utility Board of Director's approval.

If a REGA is recommended with responsibilities for regional integrated resource planning, the contractor shall consider the following issues:

- Whether the entity should be regulated by the RCA;
- What role the RCA should play in the regional planning;
- Whether the regional plan should require RCA approval; and,
- Any state statutory and regulatory changes necessary for REGA implementation.

Other issues the contractor shall consider include:

- Should the REGA consider future sources of generation that could be provided by IPP's? If so, what new system operating rules would be necessary to allow access to these power sources by utilities in need of future generation?

- Should open-access tariffs be required for all transmission lines in the railbelt to allow IPP's to transmit power to customers?
- What effect does the availability of generation fuels have on the future functional needs of the railbelt electrical grid?
- Changes in utility management responsibilities for procurement of additional generation under REGA.

In addition to the above considerations the price proposed for the initial scope of work is based on the following assumptions:

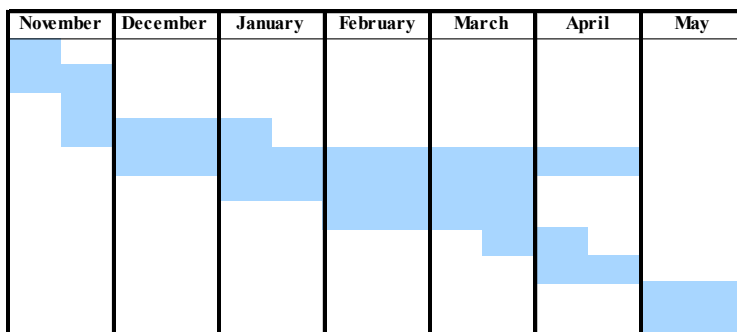
- The contractor will be providing one updated Integrated Resource Plan (IRP) for the multi-utility Railbelt grid. This IRP will have a 30-year planning horizon and consider alternative generation and transmission solutions to achieve the best economic dispatch conditions.
- The contractor will use load forecast information provided by the individual Railbelt utilities.
- The contractor will take into consideration any new generation and transmission projects currently under development or being proposed for the Railbelt grid.
- The contractor will take into consideration retirement of any aging infrastructure.
- The contractor will take into consideration any known emission restrictions.
- The contractor will take into consideration any known renewable energy standards.
- The contractor will not be performing a NERC pre-audit, but will take into consideration any known reliability requirements and required upgrades.
- The contractor will be commenting on the availability of various fuels based on our extensive knowledge of the Railbelt geographic region.
- Based on client and stakeholder input, the contractor will develop and price implementation plans for the three most feasible scenarios, including budget, schedule and specific actions to be taken by utilities, government and other stakeholders as a part of implementation.

C.6 Schedule

The sequence of work will follow the schedule below and milestone completion periods unless otherwise amended.

Task

1. Initiate Project
2. Collect and Evaluate Existing Reports and Documents
3. Attend and Assist in a Technical Conference
4. Collect Additional Information From Stakeholders
5. Participate in Advisory Group Meetings
6. Develop and Evaluate REGA Scenarios
7. Develop Implementation Plans
8. Make Presentation of Scenarios and Plans to Stakeholders
9. Prepare Draft Report
10. Prepare Final Report
11. Provide Presentation Services



Milestone

- Project kick-off
- Two-day Technical Conference
- Collection of information from Stakeholders
- Advisory Group meetings
- Identification of REGA scenarios
- Evaluation of REGA scenarios
- Development of implementation plans
- Stakeholder presentation of initial results
- Draft Report submitted to AEA for review
- Final Report submitted to AEA

Completion Date (week of)

- November 12
- November 26
- December 24
- December 24, January 28, February 25, March 24, April 21
- January 28
- March 24
- March 24
- April 14
- April 28
- May 26

C.7 Deliverables

the contractor shall make the following submittals of work and presentations.

- Monthly progress reports by e-mail, teleconference, or in person.
- A preliminary draft report of REGA scenarios MS Word and PDF print ready format. (Task 8)
- A preliminary draft report for stakeholder review, in hardcopy and PDF print ready format, that details an analysis of the railbelt structure, and recommendations on REGA implementation. (Task 8)
- A draft report for AEA review, in hardcopy and PDF print ready format, incorporating stakeholder comments. (Task 10)
- A final report in hard copy with fifty (50) bound copies with one CD of the report with the final version in MS Word or other agreed upon editable format and an electronic copy in PDF print ready format. (Task 10) AEA will also post an electronic copy of the final report on its web site.
- A copy of an Excel spreadsheet that shows the comparative analysis of various scenarios. (see Task 9) This will include a matrix that can be used to analyze changes to the variables in the different development scenarios.
- A MS PowerPoint presentation subject to scoping and an amendment to the contract. (Task 11)

C.8 Other Terms or Conditions

C.8.1 Communication with Stakeholders

The intent of this contract is to provide an independent assessment of the feasibility of an REGA and to that end the contractor will be responsible for establishing its methods for communicating and gathering information from stakeholders. All information gathered will be considered public information. AEA may form a separate steering committee for the purpose of informing major stakeholders of the progress of the study and providing and opportunity for the contractor to collect specific information as may be required. (See Task 4)

C.8.2 Requirements for Data Collection

the contractor shall be responsible for all data collection, to include researching, federal and state regulatory requirements, utility power supply system characteristics, obtaining and reviewing existing reports and studies related to the railbelt electrical grid.

C.8.3 Additional Services

AEA may request the Consultant provide additional services which could include: cost benefit analysis, legal/regulatory analysis, additional research and analysis, additional conferences, and other services as determined by AEA. Any additional services would be subject to AEA and the contractor negotiating an amendment to the contract.

C.9 Expectations for the Alaska Energy Authority

The contractor's expectations of AEA include:

- Prompt response to data/information requests.
- Review and comment on major deliverables.
- Project management team that can generally be reached on a timely basis and is assigned to this project for the duration
- Appropriate work stations/work area will be provided to the contractor project team members when they are at AEA offices including access to printers, copiers, phones, internet access, conference rooms and fax machines.
- For stakeholder meetings the contractor arranges it is expected that the contractor will coordinate meeting space with the stakeholders at the location of the meeting.

Appendix D Consideration

1. **Contract Price.** The total cost for the work identified in Appendix C including labor, overhead, profit, and expenses will not to exceed \$497,860.00 for the tasks as defined in this contract and outlined in 2. below. The price does not include cost for presentation services as defined in Task 11. If those services are requested the contractor will submit a detailed proposal for providing those services and the contract will be amended
2. **Cost Per Task.** The contractor will be paid a fixed price per task for all work in accordance with price and tasks noted below:

Task	Total Cost per Task
1. Initiate Project	\$32,360
2. Collect and Evaluate Existing Reports and Documents	\$31,400
3. Attend and Assist in a Technical Conference	\$47,360
4. Collect Additional Information From Stakeholders	\$57,500
5. Participate in Advisory Group Meetings	\$53,100
6. Develop and Evaluate REGA Scenarios	\$89,300
7. Develop Implementation Plans	\$65,800
8. Make Presentation of Scenarios and Plans to Stakeholders	\$35,280
9. Prepare and Deliver Draft Report	\$47,600
10. Prepare and Deliver Final Report	\$38,160
Contract Total	\$497,860

3. **Payment Schedule:** Payment will be made monthly based on percentage of completion of tasks 1 through 9, and submission of a monthly report and invoice. The payment for Task 10 will be made in lump sum after AEA completes review and approval of the final report, which will not be unreasonably withheld. The schedule of specific milestones are in C 6 and criteria for completion of each task are stated in APPENDIX C.
4. **Additional Work not Authorized.** Unless the contractor provides written notice to the project manager, all work being performed will be considered within the scope of the Contract. The contractor will not be reimbursed for any additional work unless it is approved in advance by a written Amendment to this contract.
5. **Changes and Adjustments to Price.** If the contractor proposes or the Authority requests additional work that results in an increase in cost or a change in the scope of work the contractor and the Authority will negotiate an amendment to the contract.
6. **Rates for amendments.** Rates that will be used for amendment adjustments will be per the labor and expense rates listed below:

Labor Rates

Labor rates listed here are considered to be loaded and include all direct and indirect labor costs, profit, overhead, general and administrative expenses.

Professional	Role	Hourly Billing Rate
Stephen Stolze	Client Executive	\$400
Kevin Harper	Project Manager Business Case Development and Stakeholder Interface Lead	\$340
Myron Rollins	Power Delivery and Market Analyses Lead	\$275
Ed Overcast	Tariff/Regulatory Analysis Lead	\$400
Doland Cheung	Business Case Development and Stakeholder Interface Support	\$200
Brad Kushner	Power Delivery and Market Analyses Support	\$220
Scott Smith	Fuels Analysis Support	\$400
Jim Gooding	Fuels Analysis Support	\$250
Margaret Arecco-Stanco	Tariff/Regulatory Analysis Support and Other Technical Support	\$150
Tom Peterson	Quality Assurance/Quality Control	\$400
As Assigned	Technical Assistance	\$150
As Assigned	Administrative Support	\$80

Expenses & Sub-consultants

Expenses and sub-consultant rates will be billed at cost.

- 7. Changes or Additions to Personnel.** Subject to AEA's approval, substitutes of assigned personnel will be paid at the same rate or less depending on the level of experience of the substitute. Rates for additional workers that may be required for different classes of work will be paid at a reasonable market rate negotiated as an amendment to the contract.
- 8. Follow-up Work Costs and Rates.** Upon completion of the initial work required in the contract, the Authority may request the contractor provide additional services and will negotiate the price for the additional work. Amendments for follow-up work will be priced by either a lump sum fixed price (FP) per task or time and expenses (T&E) price per task with a guaranteed fixed not-to-exceed price.
- 9. Rate Increases.** The above rate schedule may be adjusted annually based on either the CPI/W for the Seattle area or some other mutually agreed upon standard. The percentage of the adjustment for any position will not exceed the best adjusted percentage Black and Veatch would offer to any other Government contract. Adjusted rate schedules will be good for one year. Rates may be adjusted on an annual basis for the life of the contract.

Appendix E – Resource Documents List

Please note that most of the documents below are available at the AEA website located at:

<http://www.akenergyauthority.org/USOREGAResourcePage.html>

1. Report on the Railbelt, Alaska Energy Policy Task Force, December 2003
2. Railbelt Energy Study, Ater Wynne & RW Beck, January 2004
3. Report to APUC and Alaska State Legislature, CH2MHill, June 1999
4. AEA/Utility Agreements related to the Alaska Intertie (all 13)
5. AEA/Utility Agreements related to Bradley Hydro Electric Project
6. Alaskan JAA agreements
7. Power Pooling/Central Dispatch Planning Study, Docket U-97-14-, APUC, by Black and Veatch International, October 1998.
8. Inter-Utility Agreements: CEA/MEA/HEA tripartite agreement
9. Alaska Intertie purchase offer
10. Integrated Resource Plan, November 2004, by EES Consulting for ML&P
11. MEA draft Unified System Operator proposal, December 2004

This is not intended to be a complete list of all documents that the contractor may need to review to complete its final report. However it is expected that the contractor will be familiar with these reports prior to the Mid November meeting.

Appendix F Stake holders

The entities listed in this attachment are expected to have an interest in the outcome of this contract. **This is not intended to be an exclusive list nor are the names listed in any order of priority or importance.** The final list of stakeholders, and work related to their level of involvement with the project, will be negotiated between AEA and the contractor as part of the scope of work under task 1. It is anticipated the contractor may also recommend that other stakeholders, not included in this list, be included in the project in some way.

Utility Associations

- Alaska Power Association
- Alaska Electric Generation & Transmission Cooperative, Inc.

Public Utilities

- Seward Electric
- Homer Electric Association (HEA)
- Matanuska Electric Association (MEA)
- Anchorage Municipal Light and Power (AML&P)
- Chugach Electric Association (CEA)
- Golden Valley Electric Association (GVEA)

Independent Utilities

- Aurora Energy (Fairbanks)

State of Alaska

- Alaska Energy Authority
- Alaska Industrial Development and Export Authority
- Alaska Department of Natural Resources, Division of Oil & Gas
- Legislators representing Kenai, Seward, Mat-Su, Anchorage, Fairbanks

Private Developers

- TDX Power (Mt. Spurr geothermal)
- Agrium (Kenai Blue Sky Project)
- Plasma
- Marc Marlow (Knik Arm Power Plant near Ship Creek)

Labor

- IBEW

NGO's

- REAP

Fuel Suppliers

- Usibelli Coal Mine
- Alaska Natural Gas Development Authority (ANGDA)
- Cook Inlet Gas Producers with utility contracts: Chevron/Unocal, Marathon Oil Company

Consumer Groups

- AARP

AKPIRG