



March 27, 2018

Dear Chair Wool and House Special Committee on Energy Members:

We appreciate the opportunity to discuss the progress of Railbelt collaboration during the discussion of House Bill 382. In the two and one-half years since the Regulatory Commission of Alaska (RCA) issued its letter to the legislature directing voluntary efforts by the Railbelt utilities, we have made significant progress not previously seen and significantly faster than similar efforts in the Lower 48.

Most recently, utilities commissioned a facilitated, consensus-driven process to develop a Railbelt operational framework. This system-wide effort is being led by GDS Inc., an objective, third-party expert and is inclusive of a broad range of stakeholders including Renewable Energy Alaska Project (REAP), the Alaska Energy Authority (AEA), CIRI, American Transmission Company (ATC), the Alaska Independent Power Producers Association (AIPPA), and others, including a self-nomination process. This effort has been under careful scrutiny of the RCA that has conducted two public workshops and directed several informational filings on the matter.

This effort has established common ground on items like governance, scope and the function of such an operational model. With their expertise in independent system operators and regional transmission organizations across the Lower 48, GDS is bringing proven solutions, ground-truthing our ideas and acknowledging the obvious biases of each of the stakeholders. Their solution is one where none of the parties get exactly what they want, but each has a path forward they can live with. We believe it represents a solution that is best for all Alaskans living in the Railbelt region, not just special interests.

This sort of voluntary collaboration between the utilities has proven effective in recent history. Numerous voluntary efforts by the Railbelt utilities are presently working in an effective manner and include:

- Chugach, MEA and ML&P have entered into an MOU to move forward with contractual economic dispatch and are in the testing phase with plans to file with the RCA later this year.
- After a considerable modeling effort involving unprecedented information sharing, we now have a model detailing the value of economic dispatch that all Railbelt utilities agree on.
- We have all signed an MOU with ATC to continue discussions around a potential Transco organization to manage the transmission system and are working through the details of cost-sharing and governance.
- We have hired GDS to recommend an organizational model for reliability standards, open access and regional planning that will be complete and presented to the RCA in the next 2 months, inclusive of all relevant stakeholder voices. In addition, the recommended organization will be able to further efforts to study the costs and benefits of single system economic dispatch.
- We have been operating a voluntary power market called a 'loose power pool' that has saved the utilities' ratepayers millions of dollars annually in recent years. This expands the use of shared generation, building on what the original three generating utilities have done since the construction of the Alaska Intertie.

As public power cooperatives and municipal utilities, our decisions are firmly grounded in the impact to our ratepayers. We are concerned with other models and solutions driven by interested parties that do not have fiduciary responsibilities to our ratepayers. For this reason, we oppose House Bill 382 because we believe it is important to let the current collaborative process reach its conclusion and allow the RCA to ultimately decide what, if any, statutory changes are required.

The Railbelt utilities understand the value of working together towards solutions. We continue to make progress towards cooperation and move into a future of collaboration that brings value to the entire region. We invite others to do the same.

This bill represents one small stakeholder group legislating the outcome of a mediated, facilitated independent process. We urge you to allow the considerable progress that has been made through voluntary efforts and independent expertise to continue.

Sincerely,



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Lee Thibert, Chief Executive Officer  
Chugach Electric Association, Inc.



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Anthony M. Izzo, CEO/General Manager  
Matanuska Electric Association, Inc.

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Brad Janorschke, General Manager  
Homer Electric Association, Inc.

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Cory Borgeson, Chief Executive Officer  
Golden Valley Electric Association, Inc.