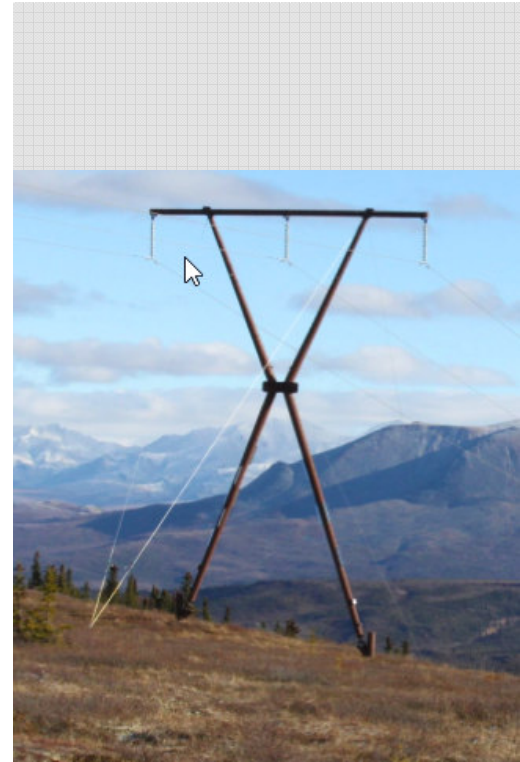


# Alaska Railbelt Transco

A Progress Report by the Railbelt Utilities



Homer Electric  
Association, Inc.



Regulatory Commission of Alaska Public Meeting  
August 23, 2017

# The Path to Progress

- December 2014 – Executed Transco Formation Principles
- January 2015 – Formed working group, meeting monthly to develop business model and conduct associated analyses
- December 2015 – Filed second status report and draft business model
- 2016 – Executed Joint Development Agreement to refine business model and analyze benefits of economic dispatch
- Q1 2017 – All utilities, with the approval of their respective boards and governing bodies executed memorandums committing to negotiate and finalize a Transco business plan and proposal

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- Q4 2017\* –Railbelt Utilities and ATC to jointly develop a Transco proposal and business plan for consideration and approval by governing boards.
  - Q1-2 2018\* – Subject to due diligence and approval of a Transco proposal, file CPCN application and proposed tariffs with RCA
  - Q3-4 2018\* –Desired time for RCA ruling approving the Transco CPCN filing

\* Best estimate based on current information



# Key Findings

- Transmission cost allocation, wheeling, etc. are issues common to all Railbelt utilities
- Substantial economic benefit can be gained through joint, efficient dispatch of generating resources (as reported to the RCA)
- Transmission improvements can facilitate power transfers that will sustain and increase economic benefits to all utilities
- Other areas of transmission coordination can be improved through Transco utilization of established regional system planning, interconnection protocols, and reliability standards.



# Remaining Tasks

- Coordinate with other ongoing Railbelt initiatives and stakeholders
  - Develop equitable methodologies for transmission cost allocation
  - Finalize operating agreements for transmission operations and maintenance
  - Develop service agreements for Transco general and administrative services
  - Finalize Transco proposal and business plan
  - Finalize a governance and capital structure that assures majority local governance, control, and ownership of the Transco
  - Receive approval of final agreements and organizational documents from utility boards\* and other regulatory bodies
- \*including MOA Assembly, SES city council



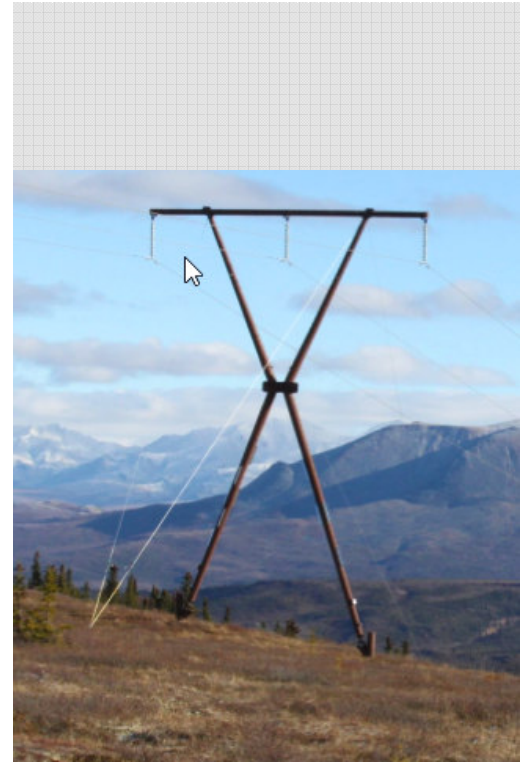
# Critical Decision Factors

- Final analysis of additional benefits vs costs of a Transco formation based on recent pooling progress, including size and incremental cost of the new organization;
- The economic impact from changes in transmission rates and the overall impact on the cost of energy;
- Assurance that Transco formation continues to meet its obligations to serve consumers through clear reliability and planning standards and reasonable rates;
- Regulatory certainty, including the recovery of prudently incurred costs, based upon the adopted standards, and the ability to meet long-term financial obligations;
- A governance structure that ensures the Railbelt's transmission network will be operated and maintained economically and effectively to meet the needs of present and future consumers;
- Ownership and capital structure to maintain majority Railbelt ownership to ensure local control and governance; and
- Integration with potential establishment of a Railbelt Reliability Council and other Railbelt optimization measures.



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