

Railbelt Reliability Council (RRC)
MEMORANDUM OF UNDERSTANDING (MOU)

Among

Anchorage Municipal Light and Power,
Chugach Electric Association, Inc.,
Golden Valley Electric Association, Inc.,
Homer Electric Association Inc.,
Matanuska Electric Association, Inc.,
and City of Seward - Electric System
(Railbelt Utilities)

December 6, 2019

1. **Railbelt Utilities.** This Memorandum of Understanding (MOU) is made and entered into among the signatory Railbelt Utilities, Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., Homer Electric Association, Inc., Matanuska Electric Association, Inc., Anchorage Municipal Light and Power, and City of Seward - Electric System.

2. **Purpose.** This MOU memorializes the agreement by the signatory Railbelt Utilities to proceed with the creation of the Railbelt Reliability Council (RRC), including the formation of a governance structure and RRC Implementation Committee (IC). The purpose of the RRC is to ensure reliability benefits to electric consumers in the Railbelt. The 12-member RRC IC shall be established as outlined below in Section 8 of this MOU and shall constitute the initial RRC board of directors. The RRC board of directors will hire the RRC Chief Executive Officer (CEO), who will then also serve as the 13th board member. The 12-member IC will also adopt a formal RRC Business Plan (Plan). The Plan will include the RRC Articles of Incorporation, Bylaws, Policies, and Procedures, Codes of Conduct and other control documents necessary to establish the RRC. This MOU outlines RRC functions as identified in Section 5 and other items necessary to realize those benefits, including regulatory oversight, the scope of responsibility and authority, governance structure, and funding, which will be key components of the Plan. The Plan is anticipated to be completed as soon as practicable but not later than December 1, 2020. The Plan and quarterly updates of the Plan's status will be filed with the Regulatory Commission of Alaska (RCA).

3. **General Provisions.**
 - A. **Amendments.** Any changes, modifications, revisions, or amendments to this MOU require unanimous written agreement amongst the signatory Railbelt Utilities and shall thereafter become effective when approved in writing by the IC.

 - B. **Entirety of the MOU.** This MOU represents the entire integrated agreement between the signatory Railbelt Utilities related to the creation of an RRC and supersedes all previous iterations of the MOU, including the Memorandum of Understanding for Electrical Reliability Standards dated October 11, 2017.

- C. **Term.** This MOU is effective the sooner of the date all Railbelt utilities sign or December 31, 2019 and shall remain in full force and effect until the creation of the RRC and its adoption of the Plan, unless otherwise unanimously agreed to by the IC.
- D. **Regulatory Compact.** The signatory Railbelt Utilities agree that the articles of incorporation and bylaws of the RRC, when adopted and approved/accepted by the RCA, shall constitute a regulatory compact with the State of Alaska. Once the articles and bylaws of the RRC developed by the IC are approved/accepted by the RCA, the parties agree to be bound by decisions of the RRC and any subsidiary organizations organized by that RRC to the extent provided for in the articles and bylaws. To the extent required by statute, the RRC will obtain a Certificate of Public Convenience and Necessity (CPCN). Except as specifically provided herein, this MOU is not intended as a concession of authority to the RCA that does not currently exist, including siting authority, and economic regulation of utilities that are not currently economically regulated. However, if the RCA requires additional specific authority to regulate the functions of the RRC, as outlined in this MOU, then the parties agree to support statutory change to affect RCA authority accordingly.
- E. **Benefit.** The agreements and obligations contained in this MOU are for the benefit of all Railbelt Utilities, individually and collectively, and for other users of the Railbelt electrical transmission system.

4. **Railbelt Reliability Council.** A stakeholder-driven entity that shall be:

- A. A not-for-profit corporation;
- B. Organized under the laws of the State of Alaska; and
- C. Subject to the jurisdiction of the RCA under the terms of its articles and bylaws that shall provide for appeal of RRC decisions to the RCA.

5. **Railbelt Reliability Council.** Established to implement the following functions:

- A. **Reliability Standards.** Adopt, administer, and enforce Railbelt electric system reliability standards, including cyber and physical security that:
 - i. Recognize the current capabilities and constraints of the Railbelt Transmission System;
 - ii. Are mandatory and enforceable minimum Railbelt wide power system planning and operating standards. These standards shall allow for local criteria that meets or exceeds these minimum standards;
 - iii. Are technically sound standards for operations, planning, physical security and cybersecurity;
 - iv. Include a compliance monitoring and enforcement program that is subject to the review and approval of the RCA; and

- v. Comply with and implement the Electric Reliability Standards agreed to by the Railbelt Utilities and submitted to the RCA on April 17, 2018, and Critical Infrastructure Protection Standards (CIP) as developed and approved by the Railbelt Utilities before RRC formation. The standards described above will serve as the RRC's "Version 1.0" reliability and CIP standards for adoption, administration, development, monitoring, and enforcement.
- B. Open Access and Interconnection Protocols.** Develop, adopt and administer rules and protocols for the Railbelt that provides open-access, non-discriminatory interconnection requirements, and processes compliant with RCA approved reliability standards and recovery of appropriate proposed system costs as approved by the RCA. Appropriate proposed system costs shall be based on a cost recovery methodology approved in advance by the RCA and, unless otherwise agreed by a super-majority (75%) of the full IC or RRC BoD, will be limited to those costs incurred in the application of RCA approved reliability standards, supported by the IRP, or that contribute positively to Railbelt reliability.
- C. System Planning.** Develop, adopt, and utilize a Railbelt electric system-wide generation and transmission planning process utilizing the Railbelt reliability planning standards adopted by the RRC that:
- i. Addresses the system reliability issues that pose an unacceptable risk to the integrity of the Railbelt transmission system;
 - ii. Allows individual utilities the flexibility to develop and implement local planning criteria subject to RCA-approved reliability standards, and consideration of Technical Advisory Committee (TAC) recommendations and the RRC approved IRP;
 - iii. Maximizes the capability of delivery of the most economic existing resources to load;
 - iv. Allows for voluntary Security-Constrained Economic Dispatch of new generation resources;
 - v. Creates a Railbelt Integrated Resource Planning (IRP) process that identifies new generation and transmission projects, subject to reliability standards, economics, state statutes and other criteria that the RRC establishes; and
 - vi. Develops and maintains the system planning and simulation model for use by all Railbelt Utilities.

The RRC may require construction of system assets but shall not mandate, deny, or approve the construction of any generation or transmission facility by any specific utility.

- D. System Dispatch.** Perform a cost-benefit analysis of a security-constrained economic system dispatch function that identifies the economic benefits and costs of a single

system dispatch for all or a feasible portion of the Railbelt electric system. The cost-benefit analysis will:

- i. Be performed under the guidance of the Technical Advisory Committee (TAC) of the RRC using the RRC governing board adopted and RCA approved cost-benefit model. It should include consideration of modeling done related to recent Transco collaboration, new transmission assets; operation, maintenance, and decommissioning costs; the location and costs of renewable generation resources and their integration into the grid; and the cost of energy storage.
- ii. Determine the most cost-effective security-constrained economic dispatch configuration in terms of Load Balancing Areas (LBAs) (one or more).
- iii. Reflect the impacts of existing power purchase and sales contracts, transmission tariffs, fuel supply, and transportation agreements, etc. and any costs associated with eliminating or modifying these contracts to increase reliability and economic efficiency.

Utility participation in a joint dispatch agreement will be voluntary and should be based on an economic cost-benefit analysis. The RRC may not mandate any utility's participation in a joint dispatch agreement.

E. **Independence.** The RRC, as an independent entity, will not own or operate any generation and transmission assets. Nor will the RRC provide electric service to the consumers of the signatory utilities.

6. **Other Railbelt Organizations.** In conjunction with the RRC development, the Railbelt Utilities are evaluating and planning, pending the approval of each utilities' respective Board, to develop a Railbelt Transmission Organization. Any CPCN filing for such an organization will include the negotiated base cost allocation. The cost allocation for new assets will be adjusted based on relative changes in load.

7. **Organizational Structure.** The RRC organization will be structured as follows:

A. **Governance.** The RRC will be governed by a Board of Directors (BoD) that will consist of 13 individuals, of which there will be 12 voting members and the CEO as tie-breaker vote only. The voting members will consist of representatives from each of the six Railbelt Utilities, and six non-utility stakeholders. The six non-utility stakeholders will be the Alaska Energy Authority, one stakeholder from a group that represents the interests of Railbelt consumers, two independent power producers (IPPs), and two members with knowledge of utility operations and planning functions, but not associated with any Railbelt electricity-producing or delivering entity i.e. non-affiliated members. The Board of Directors shall also consist of two non-voting ex officio members represented by the RCA and the Regulatory Affairs and Public Advocacy (RAPA) office of the Alaska Attorney General.

B. An Organizational Development Team (ODT) representing the six utilities will lay the groundwork and assist in standing up the IC. Once the twelve IC members are

appointed/selected, the ODT will be dissolved. The members of the IC shall be the first RRC governing board.

- C. The CEO will be the RRC chairperson. When and if a Transmission Organization is formed and certificated as a public utility, it will be added as a voting member. The number of Railbelt Utilities and non-utility stakeholders serving as voting members on the BoD must be equal at all times, and in maintaining this balance, the Transmission Organization shall be considered a utility member. The RRC Bylaws shall prescribe terms for all directors, and the method for selecting them, including additional directors. The Bylaws shall prescribe terms for directors necessary to balance the number of utility and non-utility directors.
- D. Subject to maintaining utility to non-utility balance on the board, within 15 days of the date of execution of this agreement the ODT, shall post public notice weekly for 30 days seeking nominations to the RRC IC for the consumer advocacy, non-affiliated, and independent power producer's seats. The ODT will post this notice in the Fairbanks, Anchorage and Kenai papers and through the RCA listserv. Nominations will be accepted until 15 days following the close of the notice period. Those nominations shall be sent to the address contained in the public notice posted by the ODT. Those applications for the two IPP seats shall be verified as being IPPs currently operating on the Railbelt, and once verified shall be conveyed to the Alaska Independent Power Producers Association for appointment within 30 days of conveyance.
- E. Within 30 days of the date of execution of this agreement, the six utilities, and AEA shall appoint their representatives to the RRC IC. The names of the appointees shall be sent to the address contained in the public notice posted by the ODT.
- F. Within 30 days of the date of execution of this agreement, RAPA, & the RCA shall appoint their ex-officio representatives to serve on the IC. The names of the appointees shall be sent to the address contained in the public notice posted by the ODT.
- G. In the selection of the consumer advocacy and non-affiliated members, the IC members selected/appointed through Sections "D", "E" and "F" above shall retain an independent firm to review and confirm the prospective candidates' qualifications. This review/confirmation, will be accomplished within 30 days of being retained. Thereafter, one member from the six utility appointees, the two IPP appointees, and AEA shall then convene to choose the consumer advocacy member of the IC from the applications presented and based on criteria (i)-(v) below. Once the consumer advocacy member has been selected, a selection committee comprised of one IPP member, AEA, and the consumer advocacy member, shall select the two non-affiliated members from the applications presented, and based on criteria (i)-(v) below. The selection committees shall invite the remaining IC members, and the RAPA and RCA appointees to participate, in a non-voting capacity, in the consumer advocacy and non-affiliated selection meetings. The selection committees shall make their selections within 15 days from the date the qualified applications are presented. As noted above, the non-affiliated and consumer advocacy members shall be selected based on the following criteria:
 - i. The individual or entity's relationship to the Alaska Railbelt generation and

transmission system;

- ii. The individual or entity's knowledge of, and experience with, the issues surrounding the operation of the Railbelt generation and transmission system;
 - iii. Other expertise or involvement the individual or entity may bring to the IC including involvement in the process to form the RRC;
 - iv. Preference will be given to Alaska residents and entities; and
 - v. In the appointment of the non-affiliated and consumer advocacy members, the selection committees shall consider the regional composition of the non-utility membership of the IC (excluding AEA, RAPA and the RCA), and shall strive for representation from throughout the Railbelt. Preference may be given to qualified candidates in an effort to achieve this regional representation. The regions to be considered are the Interior, the Matsu /Anchorage area, and the Kenai Peninsula.
- H. If an individual or entity that nominates itself to be on the RRC IC is not chosen, it may request that the IC, acting as one body, write a letter to the RCA laying out the reasons that the entity was not chosen. The letter shall be signed by those members then on the IC.
- I. **TAC.** The TAC will be a working group of qualified technical professionals with specific operational, system planning, and management responsibilities that will provide for monitoring of the utilities' compliance with the Reliability Standards and make recommendations to the BoD as appropriate. The bylaws shall prescribe the method for selecting and resourcing the efforts of the TAC.
- J. **Audit and Finance Committee (AFC).** The AFC will be a working group of qualified technical professionals with specific financial and auditing experience that will ensure the financial health of the organization. The bylaws shall prescribe the method for selecting and resourcing the efforts of the AFC.
- K. **Staff.** The staff will consist of a CEO and qualified technical professionals to provide ongoing expertise in the areas of power grid operations, renewable energy, energy storage, modeling, reliability, rates, analysis, and IT.
- L. **Members.** The entities represented on the BoD will be the initial members of the RRC. The RRC may evaluate the need in the future for an expanded member organization that incorporates sector stakeholders similar to the NEPOOL or ERCOT system.
8. **Organizational Controls.** The RRC will develop, adopt, and implement organizational controls. Compliance with the organization's articles, bylaws, code of conduct, and policies and procedures for the BoD, TAC, AFC, RRC staff, and members will be mandatory. Requirements for the RRC not specifically stated in this MOU will be detailed in the written control documents mentioned and include but not be limited to the following:

- A. **BoD.** Duties and powers; composition; positions and titles; voting rights, proxies, and quorums; qualifications; how selected; terms of members; filling of vacancies and removals; actions w/o meetings; committees.
 - B. **TAC.** Duties and responsibilities; scope of activities; composition and qualifications.
 - C. **AFC.** Duties and responsibilities; scope of activities; composition and qualifications.
 - D. **RRC Staff.** Duties and responsibilities; scope of activities; titles; and composition and qualifications.
 - E. Methods and rules for meetings and actions shall be conducted in accordance with Robert's Rules of Order, as amended from time-to-time in the organization's bylaws.
9. **Funding.** The RRC will fund its operations through annual system administration fees collected from all load-serving entities (LSEs) in the Railbelt. The RRC's annual budget will be approved by the RCA as specified in the RRC bylaws. The annual administration fees will be allocated amongst the LSEs on a 12-Coincident Peak (CP) load share ratio basis (LRS). These resources will be used to fund the work of the RRC, including studies, standards development, and document development, etc. These resources will be allocated to the various committees and subcommittees of the RRC in a way that supports the articulation, evaluation, and development of the potentially diverse views of the RRC and its subcommittees. And further for the purpose of providing the RRC with concise and rational recommendations through the committee process.
10. **Implementation Committee.** Following the execution of this MOU, IC will be selected as outlined above, and function as described below.
- A. **Scope.** The IC will be responsible for developing the Plan in accordance with this MOU, hiring legal, financial, facilitation, engineering, and other services to assist in developing the Plan, developing the annual staffing plan and operating budgets for the first 3 years of the RRC, meeting as necessary in person or by electronic means, and keeping meeting minutes. In developing the Plan, the IC may take into account new information as it becomes available.
 - B. **Costs.** The cost to develop the Plan will be allocated to the Railbelt Utilities participating on the IC based on load ratio sharing calculated from 2018 LRS.
 - C. **Deliverables.** The IC will be responsible for creating the Plan, written control documents, and professional qualifications for BoD, TAC, and AFC.

ANCHORAGE MUNICIPAL LIGHT & POWER

By: Anna Henderson

Anna Henderson, General Manager

Date: 12/16/19

CHUGACH ELECTRIC ASSOC., INC.

By: Lee Thibert

Lee Thibert, Chief Executive Officer

Date: 12/13/2019

GOLDEN VALLEY ELECTRIC ASSOC., INC.

By: Cory R. Borgeson

Cory Borgeson, President & Chief Executive Officer

Date: 12/9/19

HOMER ELECTRIC ASSOC., INC.

By: Bradley P. Janorschke

Bradley P. Janorschke, General Manager

Date: December 17, 2019

MATANUSKA ELECTRIC ASSOC., INC.

By: Anthony M. Izzo

Anthony M. Izzo, Chief Executive Officer

Date: 12/11/19

CITY OF SEWARD - ELECTRIC SYSTEM

By: John Foutz

John Foutz, Electric Utility Manager

Date: 12/18/19