



# Homer Electric Association, Inc.

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August 19, 2019

Regulatory Commission of Alaska  
701 W. Eighth Avenue, Suite 300  
Anchorage, Alaska 99501

**RECEIVED**

By the Regulatory Commission of Alaska on Aug 19, 2019

Dear Commissioners:

RE: Comments by Homer Electric Association, Inc., In the Matter of the Evaluation of the Operation and Regulation of the Alaska Railbelt Electric Transmission System

Homer Electric Association, Inc. ("HEA") would like to provide comment on the filing by Chugach Electric Association, Inc.'s ("CEA") and Matanuska Electric Association, Inc.'s ("MEA") Joint Comments regarding I-15-001, In the Matter of the Evaluation of the Operation and Regulation of the Alaska Railbelt Electric Transmission System ("CEA/MEA Letter") filed June 21, 2019.

When the Railbelt Utilities began discussing unification of the Railbelt Transmission system in 2014, their primary goal was to create a transmission company ("Transco") that would (1) operate the transmission system under an Open Access Transmission Tariff ("OATT") for the benefit of all Railbelt generators and, (2) have the financial capability to construct additional transmission as it was needed. The Transco would enter into operating and/or service agreements for the utilities' transmission systems and assume or otherwise deal with all pre-existing agreements related to power transmission. The intent of the six Railbelt utilities and American Transmission Company was to have all seven participants be members of Alaska Railbelt Transmission, LLC ("ART") and ART would be the Transco serving all six utilities as well as any other power generators; that is, the entire Railbelt.

It was originally the intention of the parties forming ART, that ART would be the single transmission utility. In addition, a Railbelt Reliability Council ("RRC") or an Electric Reliability Organization ("ERO") with broad stakeholder representation would provide guidance on key parameters affecting potential new capital projects that would be vetted with the RRC/ERO for conformance to the adopted protocols and standards. This structure was the understanding of the utilities and was memorialized in a prior Memorandum of Understanding that was approved by many of the utilities. The revised Memorandum of Understanding attached, as Attachment A ("May 2019 Memorandum of Understanding") to the recent CEA/MEA Letter expands the scope of the RRC to include functions that were rejected by several utilities during the negotiations and were to be performed by ART. Additionally, the RRC as proposed in the May 2019 Memorandum of Understanding cannot transmit or adopt an approved tariff transmitting Bradley Lake power, rendering the proposed RRC ineffective.

## **I. The May 2019 Memorandum of Understanding Does Not Reflect the Agreement of the Utilities**

So that one utility or group of utilities could not hold sway over the planning and operation of the transmission system through the Transco, the parties recognized the importance of having a separate organization with a broader constituency to draft and enforce the reliability rules by which the Transco was to operate and also to act as the central planning entity. To that end, the parties engaged in a lengthy parallel process with the goal of creating the RRC to act as a check on and complementary with the Transco. An initial draft of the RRC Memorandum of Understanding was dated May 1, 2018 and gave expansive power to the RRC including the adoption of an OATT and the development and implementation of a central dispatch function, if determined to be justified by a cost benefit analysis. By July 31, 2018, the Memorandum of Understanding had been revised by the parties to reflect a more limited scope. The RRC's authority to adopt an OATT was removed and the RRC's dispatch function was limited to performing a cost benefit analysis of a security constrained economic system dispatch function. The July 31, 2018 Memorandum of Understanding also provided for a Transco to be formed, noting:

5. Other Railbelt Organizations. Subsequent to or in conjunction with the RRC development, some or all of the Railbelt Utilities intend to proceed with the formation of a Railbelt transmission organization (Transco) and anticipate filing a request for a certificate of public convenience and necessity (CPCN) with the RCA during the first quarter of 2019 pursuant to the guiding principles adopted on November 19, 2014.

By September 27, 2018, a Memorandum of Understanding was signed by CEA, MEA, GVEA, and the City of Seward that, like the July 31, 2018 draft Memorandum of Understanding, provided no authority for the RRC to adopt an OATT, limited the RRC's dispatch function to performing a cost benefit analysis of a security constrained economic system dispatch function, and recognized the formation of a Transco. A similar, earlier version of the Memorandum of Understanding was also presented and approved by HEA's Board of Directors.

HEA was not included in or even apprised of the drafting process of the May 2019 Memorandum of Understanding. The May 2019 Memorandum of Understanding significantly expands the RRC's authority, reinserting powers that were removed from the May 2018 draft during the joint drafting process. The May 2019 Memorandum of Understanding now provides for the authority to adopt an OATT and permits security constrained economic dispatch of new generation resources. The new version appears to be the product of efforts by CEA and MEA to go back to the initial scope proposed in the initial May 2018 draft, despite their prior agreement with the other utilities.

## **II. The RRC as Proposed in the May 2019 Memorandum of Understanding Cannot Transmit or Dispatch Bradley Lake Power**

The CEA/MEA Letter suggests that the RRC can adopt and the Regulatory Commission of Alaska (“RCA”) can approve an OATT for the transmission of power on the Railbelt, leaving in place “legacy agreements” (a euphemism for the Bradley Contracts) and that this scheme would be simpler, result in equitable treatment of cost causers and cost payers, and eliminate multiple wheeling charges. The transmission and dispatch of Bradley Lake power is the largest annual transaction over the Railbelt transmission system and is already governed by preexisting agreements. The Alaska Supreme Court has recently affirmed that the agreements governing Bradley Lake power cannot be amended by the RCA, the RCA cannot approve a tariff that affects Bradley Lake power, and the RCA cannot approve a regulatory scheme that affects the generation and dispatch of Bradley Lake power.

Without the power to perform any of the proposed transmission and dispatch functions for Bradley Lake power, the effectiveness of the proposed RRC is significantly impaired.

While the issues raised in the CEA/MEA Letter are many, complex, and cannot be adequately addressed in a letter, HEA appreciates the opportunity to provide the brief response above and looks forward to continuing to engage in a productive conversation on the topic of Railbelt power transmission.

Should you have any questions or comments, please do not hesitate to call me at 907-283-2312 or email me at [bjanorschke@homerelectric.com](mailto:bjanorschke@homerelectric.com).

Sincerely,



Bradley P. Janorschke  
General Manager

Attachment(s)



**RECEIVED**

By the Regulatory Commission of Alaska on Jun 25, 2019

June 25, 2019

Regulatory Commission of Alaska  
701 W. Eighth Avenue, Suite 300  
Anchorage, AK 99501

RE: ***SUPPLEMENT to Joint Comments of Chugach Electric Association, Inc. and Matanuska Electric Association, Inc. Regarding I-15-001, In the Matter of Evaluation of the Operation and Regulation of the Alaska Railbelt Electric Transmission System, Filed June 21, 2019***

Commissioners:

On June 21, 2019, Chugach Electric Association, Inc. (Chugach) and Matanuska Electric Association, Inc. (MEA) filed joint comments (Joint Comments) in Docket I-15-001 explaining our shared belief that the forthcoming Railbelt Reliability Counsel (RRC) will serve as the best fit for achieving the Commission's goal of creating an independent entity to oversee the reliable operation and further development of the Railbelt transmission system. Also included in the Joint Comments was an explanation of the core functions the RRC will perform, as manifested in a Memorandum of Understanding (MOU) being used to guide the creation of the RRC.

In the Joint Comments Chugach and MEA intended to provide the Commission with an informational copy of the MOU, which was meant to be attached as "Attachment A" (see page 2, footnote 1 of the Joint Comments). However, due to a filing oversight, the MOU was mistakenly not attached. Chugach and MEA now wish to supplement the June 21<sup>st</sup> Joint Comments by providing Attachment A, containing an informational copy of the MOU. We apologize for this oversight.

Sincerely,

Anthony M. Izzo  
Chief Executive Officer

Attachment

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

Among

**Anchorage Municipal Light and Power,  
Chugach Electric Association, Golden  
Valley Electric Association, Homer  
Electric Association, Matanuska  
Electric Association and Seward  
Electric System**

**(Railbelt Utilities)**

**May 16, 2019**

1. **Railbelt Utilities.** This Memorandum of Understanding (MOU) is made and entered into among Chugach Electric Association, Golden Valley Electric Association, Homer Electric Association, Matanuska Electric Association, Anchorage Municipal Light and Power, and Seward Electric System (Railbelt Utilities).
2. **Purpose.** This MOU memorializes the agreement by the Railbelt Utilities to proceed with the creation of the Railbelt Reliability Council (RRC), including the formation of a governance structure and RRC Implementation Committee. The 12-member RRC Implementation Committee shall be established as outlined below in Section 6 (B) of this MOU and shall constitute the initial RRC board of directors. The RRC board of directors will hire the RRC CEO, who will then also serve as the 13<sup>th</sup> board member. The 12-member Implementation Committee will also adopt a formal RRC Business Plan (Plan) that when implemented will ensure reliability and economic benefits for electric consumers in the Railbelt. The RRC Business 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 4, 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 by the end of fourth quarter of 2019. 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 agreement amongst the Railbelt Utilities and shall be incorporated in writing, and effective when executed and signed by all Railbelt Utilities.

- B. Entirety of the MOU. This MOU represents the entire, integrated agreement between the Railbelt Utilities related to the creation of an RRC and supersedes the Memorandum of Understanding for Electrical Reliability Standards dated October 11, 2017.
- C. Term. This MOU is effective upon the date last signed by the authorized representatives of the Railbelt Utilities to this MOU 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 Railbelt Utilities.
- D. Regulatory Compact. The parties to this MOU agree that the articles of incorporation and bylaws of the RRC, when adopted and submitted to the RCA for approval shall constitute a regulatory compact with the State of Alaska, valid and binding upon the parties. Once the articles and bylaws of the RRC developed by the RRC Implementation Committee 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 by-laws. If, and to the extent required by statute, the RRC will obtain a Certificate of Public Convenience and Necessity (CPCN). 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 their respective consumers.

4. **Railbelt Reliability Council.** A stakeholder-driven entity 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.

Established to implement the following functions:

- D. 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 should allow for local criteria that meets or exceeds these minimum standards;

- (iii) Are technically sound standards for operations, planning, and physical and cyber security;
  - (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. The Standards described above will serve as the RRC's "Version 1.0" reliability standards for adoption, administration, development, monitoring, and enforcement.
- E. Open Access and Interconnection Protocols. Develop, adopt, and administer an Open Access Transmission Tariff for the region. Develop, adopt, and administer a system-wide non-discriminatory, generator interconnection process and related interconnection protocols.
- F. 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) Permits individual utilities the flexibility to develop and implement local planning criteria subject to the RRC Bylaws;
  - (iii) Maximizes the capability of delivery of the most economic existing resources to load;
  - (iv) Permits 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.
- G. System Dispatch. Perform a cost-benefit analysis of a security constrained economic system dispatch function that compares its economic benefits with the startup and ongoing operating costs of a unified system operator for all, or a feasible portion of, the Railbelt transmission system. The cost-benefit analysis will:

- (i) Be performed per the cost-benefit model adopted and utilized by the Technical Advisory Committee (TAC) of the RRC, including consideration of new transmission assets; operation, maintenance and decommissioning costs; the location and costs of renewable generation resources and their integration into the grid; the cost of energy storage and potential future legislation.
- (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.

5. **Other Railbelt Organizations.** In conjunction with the RRC development, the Railbelt Utilities are evaluating and planning, pending Board approvals, to develop a Railbelt Transmission Organization (TRANSCO). Any TRANSCO CPCN filing will include the negotiated base cost allocation. The cost allocation for new assets will be adjusted based on relative changes in load.

6. **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 from 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 (non-affiliated member).

The Board of Directors shall also consist of two non-voting ex officio members represented by the Regulatory Commission of Alaska 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 Implementation Committee. Once the Implementation Committee is activated, the ODT will be dissolved. The members of the Implementation Committee shall be the first RRC governing board.

The CEO will be the RRC chairperson. When and if a Transco 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 Transco shall be considered a utility member. The RRC Bylaws shall prescribe terms for 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.

- C. Within 15 days of the date of execution of this agreement the Organizational Development Team (ODT), shall post a public notice seeking nominations to the RRC Implementation Committee for the 2-non-affiliated seats and the consumer representation seat. The ODT will post these notices in the Anchorage Daily News, and through the RCA listserv. Those nominations shall be sent to the address contained in the public notice posted by the ODT.
- D. Within 15 days of the date of execution of this agreement, the six utilities and the Alaska Independent Power Producers Association shall appoint their representatives to the RRC Implementation Committee. Those nominations shall be sent to the address contained in the public notice posted by the ODT.
- E. Within 15 days of the date of execution of this agreement, AEA, RAPA, & the RCA shall appoint their representatives to serve on the Implementation Committee. Those nominations shall be sent to the address contained in the public notice posted by the ODT.
- F. If there are more than three qualified entities that are nominated in a timely manner in C (above) , the members of the Implementation Committee shall choose the additional members of the Implementation Committee from the nominations based on the following criteria:
  - (i) The entity's relationship to the Alaska Railbelt generation and transmission system.
  - (ii) The entity's knowledge of, and experience with, the issues surrounding the operation of the Railbelt generation and transmission system.
  - (iii) The entity's history of involvement in the process to form the RRC and;
  - (iv) Other expertise the entity may bring to the Implementation Committee.
- G. If an entity that nominates itself to be on the RRC Implementation Committee is not chosen, it may request that the Implementation Committee, acting as one body, write a letter to the Regulatory Commission of Alaska laying out the reasons that the entity was not chosen. The letter shall be signed by those members then on the Implementation Committee.

- H. Technical Advisory Committee (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 or other BoD as requested scope of authority duties. The bylaws shall prescribe the method for selecting and resourcing the efforts of the TAC.
  - I. 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 Audit and Finance Committee.
  - J. 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.
  - K. 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.
7. **Organizational Controls.** RRC organizational controls will be developed, adopted, and implemented. 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.
8. **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-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.

9. **Implementation Committee.** Following the execution of this MOU, Implementation Committee will be selected as outlined above, and function as described below.
  - A. **Scope.** The Implementation Committee will be responsible for developing the Plan, 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, meet as necessary in person or by electronic means, and keep meeting minutes.
  - B. **Costs.** The cost to develop the Plan will be allocated to the six Railbelt utilities based on load ratio sharing calculated from 2017 LRS.
  - C. **Deliverables.** The Implementation Committee will be responsible for creating the Plan, written control documents, and professional qualifications for BoD, TAC, and AFC.

May 16, 2019

**ANCHORAGE MUNICIPAL LIGHT & POWER**

By: \_\_\_\_\_

Anna Henderson, General Manager

Date: \_\_\_\_\_

**CHUGACH ELECTRIC ASSOC., INC.**

By: \_\_\_\_\_

Lee Thibert, Chief Executive Officer

Date: \_\_\_\_\_

**GOLDEN VALLEY ELECTRIC ASSOC., INC.**

By: \_\_\_\_\_

Cory Borgeson, Chief Executive Officer

Date: \_\_\_\_\_

**HOMER ELECTRIC ASSOC., INC.**

By: \_\_\_\_\_

Bradley P. Janorschke, General Manager

Date: \_\_\_\_\_

**MATANUSKA ELECTRIC ASSOC., INC.**

By: \_\_\_\_\_

Anthony M. Izzo, CEO/General Manager

Date: \_\_\_\_\_

**SEWARD ELECTRIC SYSTEM**

By: \_\_\_\_\_

John Foutz, Utility Manager

Date: \_\_\_\_\_