



Homer Electric
Association, Inc.
A Toolikone Energy Cooperative



January 21, 2022

Governor Michael J. Dunleavy
3rd Floor, State Capital
PO Box 110001
Juneau, AK 99811

Dear Governor Dunleavy:

The Railbelt Utility CEO's appreciate your interest in the advancement of the Railbelt electric system to serve as the platform for economic growth and vitality for the benefit of the entire State of Alaska. In our meetings with you over the past several years, we have heard you prioritize reducing the cost of electricity, reinforcing collaboration among the utilities, and embracing innovative approaches.

As the five not-for profit organizations who the state relies upon to provide this critical and essential service for 70% of the Alaskan population, we agree with those priorities and are working together to meet the challenges and opportunities ahead. From adding wind and solar resources to the system, expanding the Bradley Lake hydro project, investing in energy storage systems and championing the formation of an organization to conduct joint planning and standards development, we are adapting to our changing resource and system dynamics as well as the evolving needs and priorities of our members.

We believe the Railbelt Electric System and Alaska sit at a critical juncture. A unique opportunity exists for investment in the system that could be a game-changing catalyst to drive innovation and economic development for the state. The utilities have unprecedented alignment around a vision for the future and have dedicated resources to understand the costs and possibilities of that vision.

You and your administration are essential partners and we appreciate that you share our optimism and have proactively engaged with us on making these opportunities a reality for Alaska. This includes your recent interest in proposing a renewable portfolio standard for the state.

As the trusted stewards of the state's largest critical electric infrastructure and representatives of our ratepayers interests through our public and member-led, not for profit organizations, the Railbelt utilities are aligned in our support around the concept of a sensible and carefully constructed renewable or carbon reduction standard for the Railbelt system.

At this time of opportunity, it's critical that our utilities work with you and the other key stakeholders we are already engaging with and that, together, we take a sensible and strategic approach in our decisions to avoid failure or unintended consequences. It is also essential that any policy be rooted in the realities of the state's unique circumstances. We have researched lessons learned and best practices from other states and countries and adapted for Alaska's individual islanded situation with system constraints and the tenuous balance between significant infrastructure requirements and few ratepayers to burden the costs. Based on this analysis, we believe the following is essential in any policy:

- **Achievable goals rooted in the physical and economic realities of the system.** As cooperatives, the cost of achieving any goal or the associated penalties will be borne by ratepayers. Credible and reliable analysis is essential. The utilities have commissioned a study to further define what is possible on our system and at what cost. We have also been pleased to participate in the state-directed NREL study that will begin to help us understand the physical capabilities of our system. Both have indicated more time is needed to provide answers we can depend on.

- **Consideration of transmission constraints.** One clear finding common to all analyses is the need to invest significantly in transmission to reliably move new innovative and economic power to the people who use it. We are actively seeking federal funding for these improvements, however, absent that funding, improvements to reach these significant goals must be achieved through member rate increases or state investment.
- **Rate and reliability caps to ensure the burden of achieving goals do not punish the families and businesses that rely on careful stewardship.** These caps have been employed in many other states to limit rate increases and threats to reliability. This should include the expense of administering the program.
- **Utilize the newly formed Electric Reliability Organization.** A diverse group of stakeholders worked together with the legislature and the RCA to pass legislation with broad support. Once formed, an ERO has a statutory and regulatory mandate to conduct integrated resource planning utilizing rate payer funds based on the greatest value to the ratepayer. Governance models and voting structures require independence, balance and transparency that will reduce special interest profiteering. This is the appropriate organization and process to vet technical aspects of proposed renewable standards.
- **Protect against special interests and profit motives.** Benefits and costs to ratepayers should be the priority of any policy. Incentives should not be provided to outside interests to take advantage of Alaskans.
- Allow for flexibility to respond to the fast-evolving nature of the industry.
- Set up Alaska to achieve success and build on those successes.

The five Railbelt utilities stand together ready to support your vision to bring the Railbelt electric system along with a more diversified energy mix into the future and help drive the economic growth and prosperity Alaska is poised to achieve. We appreciate your leadership and stewardship and urge a measured approach to policy development that will help reduce the cost and/or reliability impacts to our members and allow flexibility to adjust as we learn valuable lessons.

We request a meeting with you to continue this critical and time-sensitive conversation with you and your staff to achieve our common goals.



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



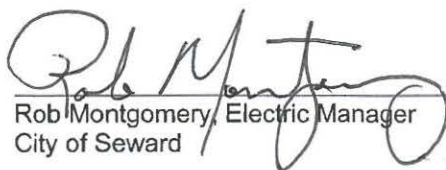
John Burns, Chief Executive Officer
Golden Valley Electric Association, Inc.



Bradley P. Janorschke, General Manager
Homer Electric Association, Inc.



Anthony M. Izzo, Chief Executive Officer
Matanuska Electric Association, Inc.



Rob Montgomery, Electric Manager
City of Seward