

March 17, 2014

Representative Charisse Millett
State Capitol Rm 403
Juneau, AK 99801-1182

Dear Representative Millett:

Chugach Electric Association supports legislation that would lead to the creation of an Independent System Operator (ISO) for the Railbelt. This concept is currently embodied in the Committee Substitute for HB 340.

In the Lower 48, ISOs are a proven means of providing the benefits of grid unification and ensuring the economic operation of transmission systems. We need the same thing in the Railbelt. Currently six electric utilities and the Alaska Energy Authority own most of the transmission facilities in the Railbelt. An ISO can cause these assets to be operated as one unified system, administered under uniform rules for reliability and interconnection. A universal tariff would recover the cost of the transmission system, with the owners of the system components compensated for their investments. Assets do not transfer under the ISO model.

The ISO would also provide the structure to take a regional approach to planning and improvement of the transmission system. Studies by the Alaska Energy Authority have identified there would be significant benefits to ratepayers from expanding the regional transmission system. However, today's structure makes it difficult for individual utilities to make regional investments.

The Regulatory Commission of Alaska would have jurisdiction over the ISO. The involvement of the RCA is critical to the success of the concept. CS HB 340 calls for the RCA to recommend to the Legislature a plan to implement an ISO for the Railbelt in line with key principles. This is the same method the Federal Energy Regulatory Commission used years ago in establishing what became a series of regional ISOs in the Lower 48.

CS HB 340 would take the first steps to rationalize the Railbelt transmission system. Chugach supports the bill and urges its passage.

Sincerely,



Bradley W. Evans
Chief Executive Officer