

December 22, 2015

**RECEIVED**

By the Regulatory Commission of Alaska on Dec 22, 2015

Commissioners  
Regulatory Commission of Alaska  
701 West Eighth Avenue, Suite 300  
Anchorage, Alaska 99501-3469

RE: Docket No. 1-15-001; Second Status Report on Voluntary Development of Independent Railbelt Electric Transmission Company – RCA Recommendation No. 1

Dear Commissioners:

On behalf of Anchorage Municipal Light and Power (ML&P), Chugach Electric Association, Inc. (Chugach), the City of Seward (Seward), Golden Valley Electric Association, Inc. (GVEA), Homer Electric Association, Inc. (HEA), Matanuska Electric Association, Inc. (MEA) and the American Transmission Company LLC, by its corporate manager, ATC Management Inc. (together ATC), the above parties (Parties), file this joint second report on the progress of voluntary efforts to restructure transmission in the Railbelt and establish an independent Railbelt electric transmission company (Transco).

## **SECOND STATUS REPORT**

In 2014, the Parties established principles for voluntary formation of an Alaska Railbelt Transco (ART) and formed a senior staff working group (the Working Group) charged with developing a business model for a Railbelt Transco. To date, the Working Group has met each month since December 2014 and has engaged subgroups of subject matter experts on specific tasks.

The Railbelt electric utilities and ATC (collectively the Parties) are developing a business model whereby the operation, maintenance, and upgrades of the Railbelt transmission network are accomplished by a Railbelt Transco to ensure the reliable delivery of electric power to Railbelt customers. A draft of this business plan is attached to this letter. The subgroups contributing to the creation of Transco business plan include: Economic Dispatch, Finance, Governance, Human Resources and Organizational Structure, Legacy Agreements, Operations and Maintenance, Real Estate and Permitting, Regulatory, and Standards. The Parties have summarized work to date in the attached draft.

### **A. Decisions Made**

Any decision to proceed with Transco formation will be based on each company's assessment of the total benefits and impact of participation on that party's operation. This process requires extensive consultation between management and the party's governing body (e.g. municipal government, board of directors).

Each party will base a decision to participate in the formation of ART on a number of factors, including:

- 1) the economic impact to local electricity consumers from changes in transmission rates and the overall impact on the cost of energy;
- 2) assurance that Transco formation continues to meet its obligations to reliably serve consumers through clear reliability and planning standards;
- 3) regulatory certainty, including assurance of the recovery of prudently incurred costs, based upon the adopted standards, and the ability to meet long-term financial obligations; and
- 4) a governance structure that assures the Railbelt's transmission network will be operated and maintained economically and effectively and meets the needs of present and future consumers.

**Second Status Report on Voluntary Development of Independent Railbelt Electric Transmission Company**  
RCA Recommendation No. 1  
December 22, 2015

Final decisions by individual Parties to proceed with a Transco will be based upon these and other factors and involve both management and governance organizations (boards of directors, municipal leadership, etc.), the bylaws each party operates under, and cannot be made until this analysis is complete.

**B. Prioritized timeline**

As noted in our September filing, there are several items of detailed due diligence underway to support a decision on the possibility and form of an Alaska Railbelt Transco. While each of these items is addressed in terms of progress to date in the attached draft business model, the following table summarizes progress as well as an intended end date.

| Key Due Diligence Task  | Progress to Date (% Complete) | Estimated Completion Date |
|---|-------------------------------|---------------------------|
| Due diligence on subgroup matters (see Appendix A, and specific subgroup reports herein, September Filing)    | 75%                           | Q1-Q2 2016                |
| Validation of the benefits of Railbelt-wide economic dispatch;  | 60%                           | Q2 2016                   |
| Design of a tariff structure that ensures equitable rate recovery for existing and future transmission assets | 25%                           | Q2 2016                   |
| Design of a business model for a Railbelt Transco   | 65%                           | Q2-Q3 2016                |
| Evaluation by Parties   | Ongoing                       | Q2-Q3 2016                |
| Approval by Governing Bodies & Stakeholders   |                               | Q3 2016                   |
| CPCN Application for Transco  | Above tasks are prerequisite. | Q3 2016                   |
| Transco Legal Day 1   | Above tasks are prerequisite. | Q2 2017                   |

**C. Use/integration of the current transmission assets into the Transco**

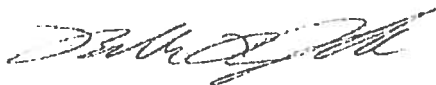
Any transition or change in the operation of the Railbelt's transmission assets must ensure that existing levels of reliable service are maintained, and that future operation is consistent with uniform reliability standards. Integration of existing assets into the Transco will be accomplished with service agreements and/or other contractual arrangements between the existing utilities and the Transco.

**D. Siting authority and integrated resource planning**

The Parties support centralized review and approval of transmission projects according to a coordinated set of standards to ensure that their costs and benefits can be evaluated.

Second Status Report on Voluntary Development of Independent Railbelt Electric Transmission Company  
RCA Recommendation No. 1  
December 22, 2015

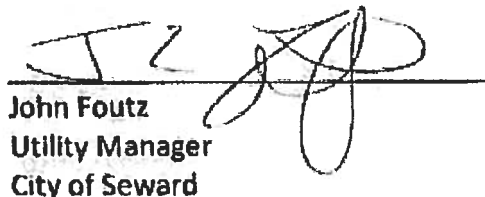
We the undersigned utilities appreciate the opportunity to update our progress toward evaluating how the formation of a Transco can provide overall benefits to the Railbelt. Each party recognizes that this update describes progress to date and the status of ongoing discussions, and cannot be acted upon or implemented without a final decision by the utilities and their respective governing bodies and stakeholders. Should you have any questions regarding this report or our ongoing efforts, please contact Eric Myers ([EMyers@atcllc.com](mailto:EMyers@atcllc.com), 262-422-1831) or Eric Lundberg ([ELundberg@atcllc.com](mailto:ELundberg@atcllc.com), 262-787-8410).



Bradley P. Janorschke  
General Manager  
Alaska Electric and Energy Cooperative, Inc. &  
Homer Electric Association, Inc.



Brad Evans  
Chief Executive Officer  
Chugach Electric Association, Inc.



John Foutz  
Utility Manager  
City of Seward

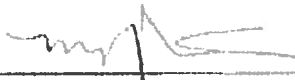


Cory Borgeson  
President and Chief Executive Officer  
Golden Valley Electric Association, Inc.



Evan J. Griffith  
General Manager  
Matanuska Electric Association, Inc.

**Second Status Report on Voluntary Development of Independent Railbelt Electric Transmission Company**  
RCA Recommendation No. 1  
December 22, 2015



---

Mark A. Johnston  
General Manager  
Municipality of Anchorage d/b/a  
Municipal Light and Power



---

Mike Rowe  
President and Chief Executive Officer  
American Transmission Company LLC  
By Its Corporate Manager, ATC Management Inc.