



April 26, 2022

## Testimony of the Railbelt Special Committee on Infrastructure Policy

Chair Schrage and members of the committee, we appreciate the opportunity to testify today.

I'm Brian Hickey, the Chief Operating Officer at Chugach Electric. Online or on the phone are my colleagues Keriann Baker from HEA, Julie Estey from MEA, and Daniel Heckman from GVEA.

Today, our comments will be brief and follow the written comments we submitted to the committee on April 5. Hopefully, we will provide some context behind our thinking on these issues.

- We believe the purpose section of the draft CS is well written and clearly describes the attributes of a successful and sustainable RPS. We appreciate our clear articulation of what we believe are our shared goals.
  - Minimize costs
    - rate impact to our members, the resident of the Railbelt region
  - Provide price stability to enhance opportunities for economic growth
  - Maximize grid resiliency
    - We've polled our membership at Chugach annually for over two decades, and they consistently rate reliability their number one priority, Price number two, and service number three
  - Minimize Carbon emissions
    - Although a relatively small producer of carbon statewide (7.7%), decarbonizing the Railbelt grid will be crucial to the decarbonization of the broader economy
- We would like to thank the committee for adopting a number of our suggested modifications setting the first-period target to 25%, the broadening clean energy credits usage to statewide, and the inclusion of distributed energy resources in the clean energy mix, among others

- As we have noted numerous times in our ongoing discussions, the EROs extensive, independent, inclusive resource planning process is the appropriate venue for setting and validating clean energy targets and the specifics of a successful and sustainable RPS.
- Given our shared vision for a successful RPS, we would like to reiterate to the committee the modifications that we, as stewards of the Railbelt grid, believe to be the cornerstones of a successful RPS.
  - **Caps on rate increases and reliability assurances.** The RPS must include provisions that allow the RCA to modify or suspend parts of the RPS if, in their determination, the financial or reliability impacts to the residents of the Railbelt and the regional economy are not in the public interest. As fiduciaries and the representatives of our memberships, this is our highest priority. This protection also further aligns the RPS content in the first and third bullet in the purpose statement set out by this committee.
  - **Our second priority is that fines must be recoverable in rates and returned to the region. As not-for-profit cooperatives, there is no other source of funds than the contributions of our members.** Fines will be paid by our members, the residents of the Railbelt region, and therefore, should be used to enhance renewable energy delivery in our region. To the extent that the memberships have already embarked on such enhancements, particularly transmission, they should be credited for these efforts.
  - **Our third priority is minimizing the potential for wasted or stranded investment.** The target dates in the RPS should be aligned with the orderly retirement of existing assets, most of which should be fully depreciated by 2060. This alignment will reduce the financial uncertainty around the implementation of the RPS, and this reduced uncertainty will be reflected in the financial market's treatment of the Railbelt utilities.
  - **Our fourth priority is the extension of the 10-year cap on state land lease fees** to be consistent with the life of a given project. There is a long history of utility location rights in State rights of way. Many State rights of way contain electrical utility facilities. It would be incongruent for the generation that produces the electricity to be required to pay state lease fees while the lines that deliver it, often located in State rights of way, do not.

- **Our fifth priority is a careful review of acceptable clean energy technologies** found in 42.04.925 (8). A periodic (2-3 year) independent third-party study of available proven technologies should be performed. A requirement to enhance this list as clean energy technologies emerge will be vital to controlling costs, enhancing reliability, and minimizing carbon emissions. Along these same lines, the term "renewable energy," which appears numerous times in the CS, should be changed to "clean energy," making the document consistent in intent throughout. In addition, the development time frame of two years, while potentially acceptable for smaller wind and solar projects, is not realistic for larger Hydro projects. Dixon creek, which will be a lynchpin in successfully achieving the 2030 goal, is currently estimated to take a minimum of ten years to complete. A seven-year grace period for Hydroelectric projects is much more realistic
  
- **Significant transmission investment will be required to make a clean energy standard a successful and sustainable reality.**
  - Current transmission capability between the North, Central and Kenai regions is single-contingency and capable of transmitting only 10 % of the Railbelt's peak energy demand.
  - Without significant rate increases, this investment is beyond the financial capabilities combined Railbelt utilities.
  - We are actively seeking Federal infrastructure funding to assist us in this challenge. To begin the Federal grant funding effort, it is critical that the provisions of HB 414 and SB 241 granting receipt authority to AEA be put in place this year.
  - In addition to federal funding and utility contributions, state funding will likely be required to make these transmission upgrades a reality.
  
- In conclusion, once again, thank you for the opportunity to testify today. We believe that these priority amendments we have proposed solidly support the goals outlined in the CS purpose statement and are necessary for us to fulfill our obligations to our membership. We appreciate and support your forward-looking focus on establishing a clear, clean energy policy for the state. As key stakeholders in your process and the stewards of the Railbelt transmission grid, we look forward to continued conversations and dialog on this issue as we move forward.