

**RESOLUTION OF THE
BRADLEY LAKE HYDROELECTRIC PROJECT
PROJECT MANAGEMENT COMMITTEE**

RESOLUTION NO. 2013-02

HEA Tariff Filing

WHEREAS, on December 8, 1987, Chugach Electric Association, Inc. (“Chugach”), Golden Valley Electric Association, Inc. (“GVEA”), the Municipality of Anchorage d/b/a Municipal Light and Power (“ML&P”), the City of Seward d/b/a Seward Electric System (“Seward”), and Alaska Electric Generation & Transmission Cooperative, Inc. (“AEG&T”), and Additional Parties Homer Electric Association, Inc. (“HEA”) and Matanuska Electric Association, Inc. (“MEA”), entered into the Bradley Lake Hydroelectric Project Agreement for the Sale and Purchase of Electric Power (“Power Sales Agreement”) with the Alaska Power Authority (“Authority”) (collectively “Project participants”); and

WHEREAS, HEA, GVEA, MEA, ML&P, Seward, and AEG&T also entered into the Agreement for the Wheeling of Electric Power and for Related Services (“Services Agreement”) with Chugach; and

WHEREAS, Chugach, GVEA, ML&P and AEG&T also entered into the Agreement for the Sale of Transmission Capability (“Transmission Agreement”) with HEA; and

WHEREAS, the Authority issued Power Revenue Bonds under the Power Revenue Bond Resolution (“Bond Resolution”); and

WHEREAS, the Power Sales Agreement, the Services Agreement, the Transmission Agreement, and the Bond Resolution (“Bradley Lake Agreements”), among others, collectively set forth the arrangements, responsibilities, and obligations necessary to secure the benefits of the Bradley Lake Hydroelectric Project (“Project”) for all the Project participants; and

WHEREAS, pursuant to Section 13 of the Power Sales Agreement, the Project Management Committee (“PMC”) has been formed for the purposes and with the responsibilities specified by the Bradley Lake Agreements including, without limitation, the responsibility to address disputes arising under the Bradley Lake Agreements; and

WHEREAS, the State of Alaska has enacted into law provisions (AS 42.05.431(c)(1)) that exempt the Bradley Lake Agreements, and amendments to those agreements, from review or approval of the Regulatory Commission of Alaska (“RCA”) until all long-term debt for the Project is retired; and

WHEREAS, HEA entered into the Agreement for the Lease of Facilities (“Lease”) with Chugach wherein Chugach agreed to lease and operate HEA’s transmission line running between the Soldotna Substation and the Quartz Creek Substation (“S/Q Line”); and

WHEREAS, the Lease expires on January 1, 2014, and HEA will take over Chugach's responsibilities and obligations for O&M on the S/Q Line under the Bradley Lake Agreements; and

WHEREAS, HEA has refused to operate the S/Q Line consistent with the terms and obligations of the Bradley Lake Agreements or Chugach's responsibilities and obligations under the Services Agreement that HEA will undertake; and

WHEREAS, on November 15, 2013, HEA submitted to the RCA tariff filings TA355-32 (relating to transmission and ancillary services on the S/Q Line) and TA356-32 (relating to line losses from the transmission of energy from the Project ("Project energy") across the S/Q Line) (collectively "HEA's tariff filings"), which ignore and are inconsistent with HEA's obligations under the Bradley Lake Agreements; and

WHEREAS, HEA's tariff filings attempt to unilaterally and detrimentally restructure the Bradley Lake Agreements and disregard the relevant statutes and jurisdictional structure for the resolution of disputes under the Bradley Lake Agreements; and

WHEREAS, if approved, HEA's tariff filings would improperly put at risk the security and reliability of the transmission system over which Project energy is wheeled to the Project participants; and

WHEREAS, if approved, HEA's tariff filings would improperly subvert the priority status that Project energy is entitled to be given over the S/Q Line for transmission purposes under the Bradley Lake Agreements; and

WHEREAS, if approved, HEA's tariff filings would improperly and significantly increase the cost of delivering Project energy to all other Project participants; and

WHEREAS, if approved, HEA's tariff filings would undermine the assurances and commitments made to the Project bond holders by the Authority through the Bond Resolution.

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE PMC AS FOLLOWS:

BE IT RESOLVED: HEA's tariff filings raise a dispute concerning the wheeling of Project energy under the terms of the Bradley Lake Agreements that is within the primary jurisdiction and authority of the PMC to resolve.

BE IT FURTHER RESOLVED: HEA's tariff filings ignore the PMC's role in resolving disputes relating to the wheeling of Project energy, violate the relevant statutes and terms of the Bradley Lake Agreements, put at risk the security and reliability of the transmission system over which Project energy is wheeled to the Project participants throughout the Railbelt, improperly subvert the priority status of Project energy over the S/Q Line, improperly increase the costs of delivering Project energy, and violate the assurances made to Project bond holders.

BE IT FURTHER RESOLVED: The PMC will take all necessary and appropriate action to require Chugach to continue to operate the S/Q Line and to request that the RCA reject HEA's

tariff filings until the dispute over the terms and conditions for the operation of the S/Q Line for the transmission of Project energy may be properly and fully addressed by the PMC.

BE IT FURTHER RESOLVED: The PMC will take all necessary or appropriate action to ensure that the relevant statutes and the terms of the Bradley Lake Agreements are upheld including, without limitation, those terms that require the operator of the S/Q Line to operate it in a manner consistent with the terms of the Bradley Lake Agreements.

BE IT FURTHER RESOLVED: The PMC will take all necessary or appropriate action to ensure that Project energy will continue to be delivered on an uninterrupted, priority basis along the S/Q Line to the Project participants who rely on that energy.

BE IT FURTHER RESOLVED: Chugach shall continue to operate and maintain the S/Q Line in accordance with Chugach's responsibilities and obligations under the Services Agreement pending the resolution of the dispute between HEA and the other Project participants.

BE IT FURTHER RESOLVED: All Project participants will participate in good-faith negotiations in an effort to resolve the dispute regarding the S/Q Line to protect the priority of Project energy, and to ensure reliable, low-cost transmission service across the S/Q Line consistent with the Bradley Lake Agreements.

BE IT FURTHER RESOLVED: If the dispute concerning the wheeling of Project energy over the S/Q Line has not been resolved within 90 days from the date of this Resolution, the Committee will adopt formal dispute resolution procedures, pursuant to Section 10(b) of the Services Agreement, to effectuate a final resolution of the dispute.

BE IT FURTHER RESOLVED: That all Project participants will immediately designate representatives with the necessary authority to resolve the dispute and will enter into good-faith negotiations to resolve the dispute in a manner that is consistent with the Bradley Lake Agreements.

BE IT FINALLY RESOLVED: During the good-faith negotiation period, all Project Participants will share relevant information in response to reasonable requests and will negotiate with each other in a manner that effectuates the intent and purpose of the Bradley Lake Agreements.

DATED at Anchorage, Alaska, this 12th day of December, 2013.


Chair

(SEAL)
ATTEST


Secretary