BRADLEY LAKE PROJECT MANAGEMENT COMMITTEE
RESOLUTION NO. 20- 02

PROPOSED PURCHASE OF TRANSMISSION ASSETS
ADOPTION OF O&D COMMITTEE REPORT ON PROPOSED TRANSACTION
FINDING OF REQUIRED WORK

INTRODUCTION

This Resolution 20-02 addresses the analyses of the O&D Committee (Bradley O&D) to the Bradley Lake Project Management Committee (BPMC) concluding that the purchase of electric transmission facilities and properties which are currently used by Homer Electric Association, Inc. (HEA) to provide electric service to Purchasers[1] of the Bradley Lake Hydroelectric Project (Project) is consistent with national standards for the industry and is necessary to keep the Project in good and efficient operating condition.

BACKGROUND

On May 22, 2020 Alaska Energy Authority (AEA) and HEA entered into a Letter of Intent containing the terms and conditions under which AEA would purchase and HEA would sell certain electric transmission facilities and properties that are currently used by HEA to provide electric service to Purchasers of the Project (Proposed Transaction). The Members of the BPMC supported the Proposed Transaction. The Department of Law for the State of Alaska (DOL) reviewed a draft of the Letter of Intent and issued a Memorandum Opinion dated May 20, 2020 finding that the definition of "Required Work" set forth in the Agreement for the Sale and Purchase of Electric Power by and among The Alaska Power Authority and The Chugach Electric Association, Inc.. The Golden Valley Electric Association, Inc., The Municipality of Anchorage d/b/a Municipal Light & Power, The City of Seward d/b/a Seward Electric System, and The Alaska Electric Generation & Transmission Cooperative, Inc. (Power Sales Agreement) could include the Proposed Transaction. The DOL stated that additional analysis should be done with respect to how the Proposed Transaction is consistent with sound economics and national standards. The AEA determined that the Bradley O&D was capable of

[1] The Purchasers receiving this service are Chugach Electric Association, Inc. (CEA), City of Seward d/b/a/ Seward Electric System (Seward), Golden Valley Electric Association, Inc. (GVEA), Matanuska Electric Association, Inc. (MEA), and The Municipality of Anchorage d/b/a Municipal Light & Power (ML&P).

performing the analysis cited by the DOL. On June 12, 2020 Bradley O&D commenced with said review and analysis to determine whether the Proposed Transaction is consistent with sound economics and national standards. The Bradley O&D issued its report on July 17, 2020. The BPMC has reviewed the Bradley O&D Report.

This Resolution No. 20-02 adopts the Report of Bradley O&D and finds that the Proposed Transaction meets the definition of Required Work set forth in the Power Sales Agreement.

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WHEREAS, On May 22, 2020 AEA and HEA entered into a Letter of Intent containing the terms and conditions under which AEA would purchase and HEA would sell certain electric transmission facilities and properties that are currently used by HEA to provide electric service to Purchasers of the Project;

WHEREAS, Chugach, GVEA,MEA, ML&P, and Seward fully support the Proposed Transaction, subject to any required final approval of the governing bodies of the individual Members;

WHEREAS, The DOL issued a Memorandum Opinion dated May 20, 2020 finding that the definition of "Required Work" set forth in the Power Sales Agreement could include the Proposed Transaction;

WHEREAS, The DOL Memorandum Opinion stated that additional analysis should be done with respect to how the Proposed Transaction is consistent with sound economics and national standards;

WHEREAS, AEA deemed it appropriate for the Bradley O&D to perform the analysis to satisfy the requirement set forth in the DOL Memorandum Opinion;

WHEREAS, On June 12, 2020 the Bradley O&D commenced its review and analysis of the Proposed Transaction to ascertain whether the Proposed Transaction is necessary to keep the Project in good and efficient operating condition consistent with sound economics and national standards;

WHEREAS, the Bradley O&D reviewed National and Railbelt reliability standards, the Power Sales Agreement, the Proposed Transaction, the 2017 AEA Railbelt Transmission Plan and Economic Analysis, the Power Revenue Bond Resolution, as well as real-time data from SCADA and financial information for each utility receiving power from the Project to evaluate whether the Proposed Transaction was consistent with national industry standards;

WHEREAS, the Bradley O&M analyzed various real-time data including hourly power data at Soldotna and Quartz Creek Substations, Project generation data, and individual utility generation and fuel-related data to determine the economic impact of the line being out of service on the respective utilities receiving power from the Project to evaluate whether the Proposed Transaction was consistent with sound economics;

WHEREAS, On July 17, 2020 the Bradley O&D finalized and issued its report on the Proposed Transaction which is attached to hereto and made part of this Resolution No. 20-02 (Bradley O&D Report);

WHEREAS, the Bradley O&D Report determined the economics for the Proposed Transaction to be sound, citing in support of its review of the cost to the utilities receiving power from the Project when the transmission facilities are out of service, the loss of energy sales for the Project economics when the transmission facilities are out of service, the expected benefits of a significant increase in access to utility resources for repair, maintenance and upgrades to the lines serving the Project, the increased reliability of the Project, and the alignment of costs and benefits of the utilities requiring the transmission services;

WHEREAS, the Bradley O&D Report also found that the utilities being served by the Project will operationally benefit from the alignment of cost responsibility (i.e., cost causer is cost payer) to all of the Project Participants;

WHEREAS, the Bradley O&D Report also found that the change of ownership and resulting access to significantly increased utility resources, as well as the repairs and upgrades contemplated by the Proposed Transaction, the increased reliability of the Project, and resulting increase in energy sales was necessary to keep the Project in good and efficient operating condition;

WHEREAS, the Bradley O&D determined that that the Proposed Transaction is fully consistent with the meaning of "Prudent Utility Practice" as defined by the Power Revenue Bond Resolution and thus the Proposed Transaction meets the national standards for the electric utility industry;

WHEREAS, the Bradley O&D concluded that the purchase of the HEA transmission assets by AEA is "Required Work" as that term is defined in the Power Purchase Agreement.

WHEREAS, the BPMC is aware and understands that AEA will have the findings and conclusions of the Bradley O&D reviewed and certified by an independent consulting engineer;

WHEREAS, The BPMC has reviewed the Bradley O&D Report and finds the analyses of the Bradley O&D to be appropriate for purposes of determining whether the purchase of the HEA transmission assets by AEA is "Required Work" as that term is defined in the Power Purchase Agreement; and,

WHEREAS, The BPMC also finds the conclusions of the Bradley O&D Report are supported by the data and analyses performed.

THEREFORE, BE IT RESOLVED THAT, the BPMC adopts the Bradley O&D Report and the findings and conclusions therein;

BE IT ALSO RESOLVED THAT, the Proposed Transaction is consistent with sound economics;

BE IT ALSO RESOLVED THAT, the Proposed Transaction is necessary to keep the Project in good and efficient operating condition and is consistent with national industry standards applicable to the electric utility industry; and,

BE IT ALSO RESOLVED THAT, the BPMC continues to fully support the Proposed Transaction, subject to any required final approval of the governing bodies of the individual Members and considers the Proposed Transaction as the foundation for future upgrades to the Railbelt Transmission System.

DATED at Anchorage Alaska, this 24th day of July, 2020.

ALASKA ENERGY AUTHORITY CORPORATE SEAL 1978

Chair, Anthony M. Izzo

Attest: ______________________

Secretary, Curtis Thayer