

BRADLEY LAKE PROJECT MANAGEMENT COMMITTEE

RESOLUTION NO. 21- 02

UPGRADING AND IMPROVING THE DELIVERABILITY OF PROJECT POWER

INTRODUCTION

The Bradley Lake Project Management Committee (“BPMC”) is responsible for the management, operation, maintenance, and improvement of the Bradley Lake Hydroelectric Project (the “Project”), subject to the non-delegable duties of the Alaska Energy Authority (the “Authority”).

The Railbelt Electric System (“System”), as currently configured, is not capable of maximizing efficiency of the Project and has not been sufficiently dependable for firm energy transactions. Generation resources are generally more efficient when operated at maximum capacity. The BPMC wants to maximize the efficiency of the Project and the deliverability of the energy produced by the Project for the benefit of the consumers relying on the System.

The BPMC and the Authority have identified opportunities to increase the productivity of the Project with investment in specific shovel-ready capital project work. The BPMC plans to leverage the past investments in the Project and optimize its value without additional costs to Alaskans. Through the use of funds already being paid by the utilities purchasing energy produced by the Project (the “Purchasers”) for essential and agreed-upon Required Project Work, the BPMC will be able to fund work that will unconstrain the benefits of the Project, a state-owned renewable resource, by increasing the energy available throughout the System as well as the Purchasers ability to utilize that energy in the most flexible and cost effective way. Increasing the energy available should reduce the overall cost of power generated by the Project to the Purchasers.

These shovel-ready projects are designed to optimize the use of the Project with the goal being to minimize costs and stabilize rates for consumers while providing jobs and other economic development opportunities from the Kenai to Fairbanks; without any burden on the State’s budget. The BPMC is determined to move forward with these shovel-ready projects because the benefits from making the Project more productive to the State of Alaska are considerable.

PURPOSE OF BPMC RESOLUTION 21-02

BPMC Resolution 21-02 sets forth the intent of the BPMC to improve the transmission grid from Homer to Fairbanks which will foster deliverability of the sustainable low-cost clean energy produced by the Project.

BPMC RESOLUTION NO. 21-02

WHEREAS, the Bradley Lake Project Management Committee ("BPMC") receives its authority under the Bradley Lake Hydroelectric Project Agreement for the Sale and Purchase of Electric Power ("Power Sales Agreement").

WHEREAS, the BPMC is responsible for the management, operation, maintenance, and improvement of the Bradley Lake Hydroelectric Project (the "Project"), subject to the non-delegable duties of the Alaska Energy Authority (the "Authority").

WHEREAS, the Project is one of the lowest cost energy generating facilities on the Railbelt Electric System ("System").

WHEREAS, the energy from the Project has very low associated carbon dioxide emissions.

WHEREAS, the System, as currently configured, is not capable of maximizing efficiency of the Project and has not been sufficiently reliable for firm energy transactions.

WHEREAS, the economic expansion for Alaska and its abundant resources requires access to low-cost energy; therefore, improving the transmission grid and reducing energy costs is an important objective for the State of Alaska.

WHEREAS, generation resources such as the Project are generally more efficient when operated at maximum capacity.

WHEREAS, the BPMC believes that a series of essential improvements and upgrades to the System ("Work") can be financed through the use of funds for essential and agreed-upon Required Project Work.

WHEREAS, this Work will unconstrain the benefits of the Project by increasing the energy available throughout the System as well as the Purchasers ability to utilize that energy in the most flexible and cost effective way.

WHEREAS, the transaction involving the purchase of the Sterling Substation to Quartz Creek Substation transmission line and related terms and other important rights was the first step in a series of actions which the BPMC believes will demonstratively enhance the deliverability of energy produced by the Project.

WHEREAS, the BPMC wants to move forward with additional Work to unconstrain the benefits of the Project expeditiously because of the considerable benefits resulting from making the Project more productive to the State of Alaska.

WHEREAS, the Work identified by the BPMC and the Authority includes capital projects that will improve/enhance the critical transmission path from the Project to the Purchasers' electric utility systems.

WHEREAS, the BPMC formed a Special Committee to manage the issues involved with identifying the individual projects comprising the Work and the manner which the Work will be financed.

WHEREAS, the Special Committee has identified individual Work opportunities to increase the productivity of the Project with investment in specific shovel-ready capital projects that will enhance the System which delivers the energy produced by the Project.

WHEREAS, the BPMC has requested the State of Alaska - Department of Law ("DOL") to confirm whether the Work identified by the BPMC can be considered Required Project Work as that term is defined under the Power Sales Agreement.

WHEREAS, the DOL issued a memorandum dated May 20, 2020, providing guidance to the BPMC on the transaction involving the sale and transfer of the transmission line from Sterling Substation to Quartz Creek Substation ("SSQ Line"), along with further terms and rights relating to transmission capacity, parallel right-of-way, as well as an upgrade option on the SSQ Line and other related terms (hereinafter referred to as the "SSQ Line Transaction").

WHEREAS, the DOL issued a memorandum dated November 10, 2021, providing guidance to the BPMC on Work consisting of a series of upgrades and equipment purchases (including the upgrade to the SSQ Line) proposed by the BPMC. This memorandum addressed the proposed upgrade described in the SSQ Line Transaction with subsequent memorandums to be issued on other Work identified by the BPMC.

WHEREAS, both the memorandums issued by the DOL found that the definition of Required Project Work is sufficiently broad enough to allow the identified Work to be considered Required Project Work under the Power Sales Agreement, confirming the BPMC's proposals. The DOL stated that additional analysis should be done with respect to how the Work is consistent with sound economics and national standards in the industry.

WHEREAS, the SSQ Line Transaction was executed in 2020 and, among other things, resulted in the SSQ Line becoming part of the assets of the Project.

WHEREAS, the purchase amount of the SSQ Line Transaction was financed by the Authority and the payments for the debt service is included in the Annual Project Costs paid by the Purchasers.

WHEREAS, because of the importance of garnering the benefits of removing the transmission constraints on the Project for the State of Alaska economy, the BPMC is moving forward with its plan to unconstrain the benefits of the Project while the BPMC awaits the other identified Work to be reviewed and considered by the DOL.

WHEREAS, the BPMC Special Committee is developing a list of the individual projects which comprise the Work as well as determining the most efficient way to finance the Required Project Work.

WHEREAS, time is of the essence regarding the importance of garnering the benefits of removing the transmission constraints on the Project for the State of Alaska economy.

WHEREAS, to maximize the improvements to the Project in an expedited manner, the BPMC believes that at times it may be necessary to arrange for one of the Purchasers to use its design and procurement resources to assist in completing the Work using in-house procurement codes and policies to procure any needed materials and services using a competitive bidding process.

WHEREAS, any Purchaser selected to provide such procurement services shall initially be limited to just design and procurement services.

WHEREAS, the Engineering Subcommittee to the Special Committee shall be responsible for managing any such procurement services performed by a Purchaser under this Resolution 21-02.

WHEREAS, the BPMC intends that all other related tasks associated with the Work shall be performed under written contract approved by the BPMC.

THEREFORE, BE IT RESOLVED THAT, the aforementioned comments and Recitals are incorporated and made part of this Resolution No. 21-02;

BE IT ALSO RESOLVED THAT, as part of the BPMC's responsibilities for the management and improvement of the Project, the BPMC will use the funds available for essential and agreed-upon Required Project Work to fund the Work;

BE IT ALSO RESOLVED THAT, the BPMC will use the guidance from the DOL regarding Required Project Work to proceed with Work;

BE IT ALSO RESOLVED THAT, completion of the Work will unconstrain the benefits of the Project by increasing the energy available throughout the System as well as the Purchasers ability to utilize that energy in the most flexible and cost effective way;

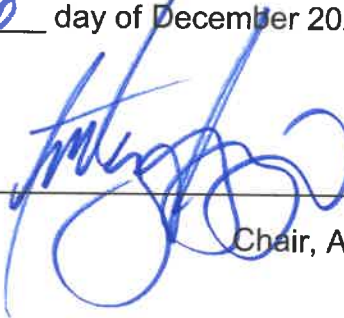
BE IT ALSO RESOLVED THAT, the BPMC shall move forward with the Work on an expedited basis because the benefits from making the Project more efficient and productive are considerable for the State of Alaska;

BE IT ALSO RESOLVED THAT, when necessary and appropriate, the BPMC shall arrange for one of the Purchasers to use its design and procurement resources to assist in completing the Work using in-house procurement codes and policies to design and/or procure any needed materials and services using a competitive bidding process;

BE IT ALSO RESOLVED THAT, all other related tasks associated with the Work shall be performed under a written contract approved by the BPMC; and,

BE IT ALSO RESOLVED THAT, the Special Committee appointed by the BPMC shall continue to focus on the identification and financing of the Work needed to increase the benefits produced by the Project for the State of Alaska.

DATED at Anchorage Alaska, this 10TH day of December 2021.



Chair, Anthony M. Izzo

Attest: 

Secretary, Curtis Thayer