RAILBELT TRANSMISSION ORGANIZATION (RTO)
MEETING MINUTES
June 20, 2025
Alaska Energy Authority
Conference Room

1. CALL TO ORDER

Chair Izzo, MEA, called the Railbelt Transmission Organization Governance Committee meeting to order at 12:01 p.m. A quorum was established.

2. ROLL CALL (for Committee members)

Tony Izzo (Matanuska Electric Association [MEA]); Travis Million (Golden Valley Electric Association [GVEA]); Brad Janorschke (Homer Electric Association [HEA]); Brian Hickey (City of Seward); Arthur Miller (Chugach Electric Association [CEA]); Curtis Thayer (Alaska Energy Authority [AEA]); and Ed Jenkin (Railbelt Reliability Counsel [RRC]).

3. PUBLIC ROLL CALL (for all others present)

Karen Bell, Jennifer Bertolini, Mark Billingsley, Bill Price (AEA); Matt Clarkson, Nick Szymoniek (CEA); Kody George (City of Seward); Daniel Heckman (GVEA); Larry Jorgensen, Sarah Lambe, Jessica Spuhler (HEA); Andrew Jensen (Governor's Office); Julie Estey, Matt Reisterer, Tony Zellers (MEA); Carl Monroe (Munro Advisors, LLC); Tina Grovier (Stoel Rives, RTO); and Joel Groves (RRC).

4. AGENDA APPROVAL

MOTION: A motion was made by Vice Chair Million to approve the agenda. Motion seconded by Mr. Janorschke.

A roll call was taken, and the motion to approve the agenda passed unanimously.

5. PUBLIC COMMENTS

There were no public comments.

6. APPROVAL OF THE MEETING MINUTES – June 13, 2025

MOTION: A motion was made by Vice Chair Million to approve the Meeting Minutes of June 13, 2025. Motion seconded by Mr. Hickey.

Tina Grovier, Stoel Rives, indicated there were two unidentified speakers listed on page five of the minutes. She and staff will listen to the audio and insert the names of the speakers. There was no objection to the impending identification of the unidentified speakers on page five.

A roll call was taken, and the motion to approve the Minutes of June 13, 2025, with the impending identification of the unidentified speakers on page five, passed unanimously.

7. OLD BUSINESS

A. Working Group Update

Chair Izzo requested Daniel Heckman, GVEA, provide the RTO Working Group update. Mr. Heckman noted that the Working Group has met a couple of times since the RTO Governance Committee's previous meeting. The Working Group focused on finalizing the public presentations that will be discussed under Agenda Item 8. New Business, and Agenda Item 9. Executive Session. The Working Group continues its efforts to draft the tariff advice letter that is the cover letter for the Open Action Transmission Tariff (OATT) filing. Additionally, the Working Group finalized the draft of the OATT, which is included in member packets. Mr. Heckman discussed that the Working Group has maintained its focus on the approaching Regulatory Commission of Alaska (RCA) filing deadline. There were no comments or questions.

B. RTO Certificate Filing and OATT Filing

Chair Izzo requested that Ms. Grovier provide the update on the RTO Certificate Filing and the OATT Filing. Ms. Grovier indicated that she has no information to add to Mr. Heckman's report. However, she does have matters related to the RCA Certificate, the upcoming tariff filing, and those topics listed under New Business, to discuss in executive session, the immediate knowledge of which could have an adverse effect on the legal position and financial position of the RTO and/or the Committee members. There were no comments or questions.

8. NEW BUSINESS

A. Backbone Transmission System (BTS) Annual Transmission Revenue Requirement (ATRR) Presentation

Chair Izzo requested Sarah Lambe, HEA, provide the presentation. Ms. Lambe discussed that the presentation was a group effort developed by the Railbelt Chief Financial Officers (CFO) to develop the backbone transmission system (BTS) Annual Transmission Revenue Requirement (ATRR). The objective is to manage regulatory burden by adopting a consensus driven, Federal Energy Regulatory Commission (FERC)-approved methodology for formulaic rate making that could be applied uniformly across all Transmission Owners (TO). Ms. Lambe explained that the BTS ATRR template is based on a Midcontinent Independent System Operator (MISO) template, chosen in part because MISO has diverse members including cooperatives, municipalities, cities, and for-profit entities that are all subject to FERC jurisdiction. The template includes workpapers to provide transparency and reduce the need for discovery. The template is a consistent method and supports non-discriminatory rate making.

Ms. Lambe discussed that the ATRR is based on the Uniform System of Accounts. It uses audited financial statements for year ending December 31, for most utilities, and June 30 for both AEA and Seward. The ATRR will be updated annually. The template's processes include calculating the asset basis of the BTS. This is informed by some of the decisions by the Governance Committee. Each utility's annual revenue requirement related to transmission will be calculated uniformly. Additionally, allocators will be applied to the utility's annual revenue requirement for transmission. Once summed, these will produce a total cost of service from the template for the BTS assets.

Ms. Lambe continued the presentation noting the process of identifying and excluding facilities that are not considered part of the BTS, such as the generator interconnections and the Generator Step Up Transformers (GSU's). The exclusion value is based on the detailed utility records in those cases. The non-backbone transmission assets include those assets excluded from the RTO Governance Committee approved BTS line segments. The value of those excluded assets is calculated using a weighted average cost per mile informed by the individual line's average capacity and length.

Ms. Lambe discussed that the template uses allocators to determine the portions of the utility's costs that should be attributed to the transmission function. The Transmission Plant (TP) allocator is the utility's total transmission plant, less the assets excluded from the RTO ATRR, and then divided by the total transmission plant. This gives the percentage of the transmission plant that is eligible to be included in the RTO rates. The example shown in the presentation (in round numbers throughout) illustrates the TP allocator at 74%.

Ms. Lambe explained that the Gross Plant (GP) allocator in the example takes the total transmission plant multiplied by the TP allocator and adds the general and intangible plant multiplied by the wage and salaries (W/S) allocator, which equals a total gross plant figure. The example shown in the presentation illustrates the GP allocator at 11.71%. Ms. Lambe noted that the Net Plant (NP) allocator essentially follows the same exercise for determining gross plant and applies it to the accumulated depreciation accounts. The example shown in the presentation illustrates the NP allocator at 11.4%.

Ms. Lambe discussed that the wage and salaries (W/S) allocator is used for general and intangible plant and for the administrative and general expenses. The allocation to transmission function is based on the W/S allocator. The example shown in the presentation illustrates the W/S allocator at 4.9%. Ms. Lambe reviewed that the Transmission Expense (TE) allocator is applied to transmission expenses so that the portions of the expenses related to excluded assets are not included. The example shown in the presentation illustrates the TE allocator at 60.8%. Ms. Lambe noted that when workpapers in the template result in the exclusion of all non-BTS expense, those expenses are directly assigned to the transmission function.

Ms. Lambe indicated that the proposed margin calculation in the template is used by cooperatives that are subject to FERC as well as municipalities and for-profit entities. The desire was to provide consistency and eliminate discrimination in accordance with HB307. The CFOs recommended the adoption of a uniform tier for all the participants based on analysis that should occur prior to filing with the Commission for an effective rate. The revenues associated with transmission expense or plant must be reflected as revenue credits against the BTS ATRR.

Ms. Lambe discussed the illustrative gross BTS ATRR calculation using the previously discussed FERC function allocators. The result in the example is a total revenue requirement to be collected through the Network Integration Transmission Service (NITS) rate of $5.4 million. Any credits received by utilities for transmission function reduces the gross revenue requirement. The example shown in the presentation illustrates a fully allocated ATRR of $5.4 million is reduced by approximately $76,000 to arrive at the net revenue requirement for the BTS ATRR.

Mr. Miller requested clarification regarding the revenue on grandfathered agreements. He asked if the revenue would be applied as a credit to the specific utility's revenue requirement that would then be collected in rates, and that the credits are focused at the utility level, rather than the RTO collective system revenue requirement. Ms. Lambe clarified that it is done at the TO level.

Mr. Hickey requested clarification regarding the wording in the presentation indicating that it removes transmission assets associated with grandfathered agreements. Ms. Lambe explained there are two cost treatments accounting for grandfathered agreements. One route is to directly assign those assets, excluding them and removing them from the plant basis. The second route could potentially be the application of the revenue credits, reducing the gross ATRR at a net figure.

Mr. Hickey asked if either of those options are currently being utilized, and the effects of removing the grandfathered agreements from the cost allocator. Ms. Lambe explained that the template provides for the options. She understands that most of the utilities that are receiving revenues are electing to reflect the credit. The utilities are keeping the full amount of the TP in the ATRR, and they are reducing the revenue requirement by the revenue received from other sources.

Mr. Thayer asked Ms. Lambe to confirm that AEA will have modifications to the format due to the nature of how AEA reports. Ms. Lambe agreed.

Mr. Jenkin asked if the GSU transformers, interconnection facilities, and radial facilities are excluded on Slide 9 because those facilities are not classified as transmission in a network transmission system, and therefore not in the BTS. Ms. Lambe agreed. There were no other questions or comments.

B. Open Access Transmission Tariff Presentation

Chair Izzo requested Carl Monroe, Munro Advisors, LLC, review the Open Access Transmission Tariff Presentation. Mr. Monroe discussed that the previous presentation showed the initial additions, the deletions, and the modifications of the tariff. Additional work has been completed by the RTO Working Group on the draft tariff. As the ATRR and cost of service is determined, changes will have to be made within the tariff. This includes the method to determine the ATRR from each of the TOs and also the calculation of the cost of service. Additionally, changes to the billing and invoicing have to be addressed. AEA has proposed changes to implementing and integrating the billing and invoicing into the tariff.

Mr. Monroe discussed that HB307 addresses extended interruptions. Billing activities need to occur because of the legislative requirement to develop billing to reflect a disruption that results in isolation for more than 24 hours from the rest of the BTS. Mr. Monroe noted that the Working Group has discussed proposing that the AEA administration fees be shared using the same allocator for the BTS ATRR. It would be listed separately on each network customer's bill.

Mr. Hickey asked if the network customer's bill is the bill that goes from the RTO to each of the governing members. Mr. Monroe agreed, clarifying that the bill goes to TOs that have load. He gave the example that AEA has no load and will never receive a network customer bill.

Mr. Monroe reviewed the ways in which the Working Group's recommendations were modified regarding the Transmission Service Administrator (TSA), who is only the administrator of the tariff, the RTO. Mr. Monroe discussed that if the TO needs to complete studies for changes to generation interconnection or changes to the network customer service, the cost will be paid directly to the TO and not through any TSA accounting. Additionally, the TO will place change requests in a queue in the order they are received. Handling of new upgrades will evolve with the RRC's IRP and transmission planning tariff work, but for now the default is that new upgrades will be included in the ATRR of the TO. Mr. Monroe reported on discussions regarding new facilities that might be built that were significantly different or significantly influential in the operation and the connections to different parties within the transmission system. It is understood that changes may be necessary if upgrades occur prior to the implementation of the RRC's tariff.

Mr. Monroe discussed that the Working Group continued to work on creditworthiness and the procedure to follow in the cases of payment defaults. He highlighted that the RTO is meant to be revenue neutral. Mr. Monroe reviewed that the Service Agreement is the legal agreement between the Network Customer, the TOs, and the TSA. The Service Agreement must include language that the TO, the BA, and the Network Customer will follow the tariff provisions. The Service Agreement must also include that ancillary services are to be obtained, acceptance that response to congestion relief will occur, when necessary, as well as binding those entities to any other responsibility included in the tariff.

Mr. Monroe requested members to comment on any other issues where additional information is needed or should be considered. He noted that members have the most recent draft language and asked for feedback after their review. There were no comments or questions.

MOTION: A motion was made by Vice Chair Million to enter into Executive Session to discuss confidential financial matters related to RTO finances and legal strategy. This is consistent with our Bylaws, which allow the Board to consider confidential matters in Executive Session. In this case, the RTO believes that these are subjects that would have an adverse effect upon the finances of the RTO, are being discussed with an attorney, the

immediate knowledge of which could have an adverse effect on the legal position of the Committee, or are protected by law due to rules protecting personal privacy and certain business information. Motion seconded by Mr. Janorschke.

A roll call was taken, and the motion to enter into Executive Session passed unanimously.

9. EXECUTIVE SESSION – 12:38 pm. (Bylaws Section 5.12.3) To discuss matters, the immediate knowledge of which could have an adverse effect on the finances or legal position of the RTO, the Committee or Authority, or that are confidential under state, federal, or local law.

The RTO Governance Committee reconvened its regular meeting at 4:09 p.m. Chair Izzo advised that the RTO did not take any formal action on matters discussed while in Executive Session, except as authorized in the Bylaws 5.12.2, to give directions to the attorney regarding the handling of specific legal matters and pending negotiations.

A brief at-ease was taken.

The RTO Governance Committee reconvened its regular meeting.

MOTION: A motion was made by Mr. Thayer to adopt the ATRR template for calculating the Annual Transmission Revenue Requirement for the backbone transmission system that was presented earlier today, including its allocated methodologies, its use of unified tier, and its accommodations for the treatment of the costs of grandfathered agreements, with modifications that may be necessary for AEA, to include backbone transmission system costs established by contract. Motion seconded by Mr. Miller.

Mr. Jenkin noted that costs of the grandfathered agreements and how they are being allocated most likely does not eliminate wheeling. He looks forward to further discussions on that topic.

Mr. Million echoed Mr. Jenkin's comments. He recognized that the intent of the RTO is to align with the statute, as written. Ways to eliminate the wheeling as much as possible will be reviewed.

A roll call was taken, and the motion to adopt the ATRR template passed unanimously.

Mr. Miller commented on the earlier discussion regarding the development of the backbone transmission system transmission revenue requirement and the return component under the FERC methodology. He discussed that in recognition of the cooperative utility structure on the Railbelt, a consistent and equitable tier should be used for all participants in the Railbelt.

MOTION: A motion was made by Mr. Miller that the RTO use, for illustrative purposes in the RTO's 2025 transmission submission to the Regulatory Commission of Alaska, a unified tier of 1.35, with the understanding that when filing its initial cost of service, a full cost of capital study will be completed that will identify the proposed final transmission

tier and the determination of the revenue requirement. Motion seconded by Vice Chair Million.

A roll call was taken, and the motion passed unanimously.

Vice Chair Million commented that there was language in the statute regarding options on how to allocate costs, including coincident peak, load ratio share, or a combination thereof.

MOTION: A motion was made by Vice Chair Million that the RTO allocate the cost of the backbone transmission system through certified load serving entities on a coincidental peak basis using a 12 CP method. Motion seconded by Mr. Miller.

Mr. Miller expressed his support for this allocation of transmission costs, recognizing that the transmission system is used throughout the year, not only to meet peak requirements on a monthly basis, but it is also used for transmitting energy as well. He believes that the 12 CP recognizes the benefits to meet the system peak load during the winter months and also meet the cost causation characteristics and use of the transmission system through other time periods during the year on an equitable basis.

A roll call was taken, and the motion passed unanimously.

Mr. Hickey commented that the Working Group has expressed an interest in another cost allocator related to regional and local benefits. He believes the Working Group has a strong desire to study the components and determine the reasonable regional and local benefit allocator.

MOTION: A motion was made by Mr. Hickey that the regional and local benefit allocator to the backbone transmission system annual revenue requirement is studied, and that a placeholder is included in the tariff with the ratio amount to be determined between regional and local allocation, as well as two or three examples. Motion seconded by Mr. Miller.

Vice Chair Million commented that entering this process, the regional and local benefit allocator was never on his radar. He discussed that as the reports and presentations were conveyed by the experienced consultants, he understands there could be benefits for the RTO to delineate by regional and local benefits. Vice Chair Million agreed that there is not sufficient time to expound on those details before the deadline. He supports the path of continued study and examples for the filing process to determine the best allocation method for the Railbelt.

Mr. Janorschke asked if this issue has been discussed within the Working Group. Mr. Hickey affirmed it has. Mr. Janorschke asked for the Working Group's recommendation. Mr. Heckman explained that the Working Group has discussed the regional and local benefit allocator. The Working Group believes that additional evaluation is needed, and that it is worth including as part of the overall filing. The Working Group has not recommended a percentage at this time but could provide a range of examples to show the various benefits at different percentages. There were no other comments or questions.

A roll call was taken, and the motion passed unanimously.

10. MEMBER'S COMMENTS

Mr. Hickey expressed appreciation to the Working Group and others for their diligent efforts over the last few weeks. He thanked members for their leadership.

Mr. Janorschke echoed Mr. Hickey's comments.

Mr. Miller echoed the recognition of the diligent efforts of the Working Group. He is happy with the meaningful progress and the good collaboration among the utilities. Mr. Miller commented that there is still a long road ahead after the filing is completed.

Mr. Thayer expressed appreciation for the good meeting, for resolving many issues today, and for the progress since December.

Mr. Jenkin thanked the Working Group and thanked the CFOs for their efforts in refining the cost allocation methodologies.

Vice Chair Million echoed the comments of appreciation to the Working Group for their extensive time and effort, to the CFOs for their focus, and to the Technical Working Group for their frontend efforts. He recognized the collaboration of all the groups, including the RTO Governance Committee members.

Chair Izzo echoed the positive comments of others, especially to the Working Group, the Technical Group, the Legal Group, and all of the parties who have spent countless hours during this process.

11. NEXT MEETING DATE

Chair Izzo indicated that the next meeting date is June 30, 2025, at 10:30 a.m., via Teams.

12. ADJOURNMENT

There being no further business for the committee, the meeting adjourned at 4:31 p.m.

Tony Izzo, Chair

Curtis W. Thayer

Curtis W. Thayer, Secretary