

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

April 8, 2009

ACTION REQUIRED

AGENDA ITEM NO. VIII.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Renewable Energy Committee Proposal: Generation Planning Policy - Economic Model

DISCUSSION

The Renewable Energy Committee has recommended that the Chugach Board of Directors enhance the electric-power supply planning process by valuing benefits not presently considered when evaluating different generation technology alternatives. This enhancement will promote the evaluation of different generation supply alternatives on the basis of a level playing field.

The matter was previously considered by the Operations Committee and tabled pending Staff comment. Staff has forwarded their response to the Renewable Energy Committee for consideration at its April 7, 2009 meeting for further discussion, consideration and action.

MOTION

Move that the Operations Committee recommend the Board of Directors approve the attached policy requiring additional economic criteria when evaluating the economic benefits of various generation alternatives in utility generation planning.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY:
2008 , 2009

DATE: October 21,

RENEWABLE ENERGY GENERATION PLANNING POLICY: – Economic Model

It is the policy of Chugach Electric Association to ensure a cost-effective electric-power supply that will increasingly rely upon renewable-energy sources, which requires that energy sources and technology alternatives be compared on a fair and equal basis.

To enable this comparison, CEA shall enhance the modeling standards employed for determination of "cost effectiveness" to assign economic value to benefits not presently internalized when evaluating generation supply.

Therefore, Chugach Electric Association shall assess and incorporate economic values for different power-generation options that include but are not limited to the following benefits:~~It is the policy of Chugach Electric Association to ensure a cost-effective, electric power supply that will increasingly rely upon renewable energy sources, which requires that energy sources and technologies be compared equally and thoroughly.~~

~~To enable this comparison, CEA shall enhance the modeling standards employed for determination of "cost effectiveness." The model shall assign economic value to benefits not presently internalized when evaluating generation supply.~~ **Goal**

Establish a renewable energy policy for Chugach Electric Association (Chugach).

I. Objective

~~To accomplish this goal it is necessary to enhance the modeling standards employed for determination of "cost effectiveness." The model shall assign economic value to benefits not presently internalized when evaluating generation supply options.~~

Content

~~Therefore, Chugach shall assign and explain economic values for the following benefits of different power-generation options:~~

1. Greater security through energy-supply diversification.
2. Planning certainty provided by level pricing over time.
3. Smoothing effect against fuel price volatility.
4. Hedge against fuel price increases.
5. Least-cost determined by life-cycle accounting, including decommissioning.
6. Avoided-cost of carbon emissions ;
7. Carbon-credit sales.
8. Capacity additions through statistical averaging, negative load, and peak-shouldering enhancements.

I. Responsibility

~~To accomplish this goal it is necessary to enhance the modeling standards employed for determination of "cost effectiveness." The model shall assign economic value to benefits not presently internalized when evaluating generation supply options.~~

II. Content

~~Chugach shall assign and explain economic values for the following benefits of power generation options:~~

- ~~1. Greater security through energy-supply diversification.~~
- ~~2. Planning certainty provided by level pricing over time.~~
- ~~3. Smoothing effect against fuel price volatility.~~
- ~~4. Hedge against fuel price increases.~~
- ~~5. Least-cost determined by life-cycle accounting, including decommissioning.~~
- ~~— Avoided-cost of carbon emissions;~~
- ~~6. Carbon-credit sales.~~
- ~~Capacity additions calculated through statistical averaging, negative load, and peak-shouldering.~~

III. Responsibility

Date Approved: _____

Attested: _____

Secretary of the Board

BP: _____

WHEREAS, assigning value to these benefits will assist Chugach in meeting it's goal of lowest cost consistent with sound economics, wise use of resources and effective business management; and

NOW, THEREFORE BE IT RESOLVED that the Chugach Board of Directors supports the Renewable Energy Committee's efforts and recommendations and instructs staff to prudently review these recommendations and incorporate as applicable the above-mentioned benefits into the Association's Integrated Resource Planning process for future power-generation options.