CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

OPERATIONS COMMITTEE MEETING

AGENDA

Jim Nordlund, Chair
Dan Rogers, Vice Chair
Sisi Cooper, Director

Susanne Fleek-Green, Director
Mark Wiggin, Director

May 6, 2026	**4:00 P.M.**	**Chugach Board Room**

I. CALL TO ORDER *(4:00 p.m.)*
   A. *Roll Call*
II. APPROVAL OF THE AGENDA* *(4:05 p.m.)*
III. APPROVAL OF THE MINUTES* *(4:10 p.m.)*
   A. *March 13, 2026 (Slocum)*
IV. PERSONS TO BE HEARD *(4:10 p.m.)*
   A. *Member Comments*
V. NEW BUSINESS *(4:30 p.m.)*
   A. *Alaska Supreme Court Tax Credit Opinion (Thompson) (4:30 p.m.)*
   B. *FERC Pre-Application Legal Matters (Clarkson/Owen) (4:40 p.m.)*
   C. *Legislative Update (Baker) (5:00 p.m.)*
   D. *Line Loss Presentation (Laughlin) (5:20 p.m.)*
   E. *Quartz Creek Transmission Line Rebuild** (Laughlin/Niglye) (5:30 p.m.)*
   F. *McMillen Contract Renewal** (Ori) (5:50 p.m.)*
   G. *Gas Supply Update (Herrmann/Armfield) (6:10 p.m.)*
      1. Asset Retirement Obligation/Department of Revenue Cook Inlet Prevailing Price
VI. DIRECTOR COMMENTS *(6:30 p.m.)*
VII. EXECUTIVE SESSION* *(scheduled) (6:45 p.m.)*

(Recess 15-minutes)

   A. *Cybersecurity (Johnson/Wren) (7:00 p.m.)*
   B. *Gas Supply Update (Rudeck/Herrmann) (7:40 p.m.)*

VIII. NEW BUSINESS *(none)*
IX. ADJOURNMENT* *(8:00 p.m.)*

* ***Denotes Action Items***
** ***Denotes Possible Action Items***
5/4/2026 9:27:56 AM

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

March 18, 2026
Wednesday
4:00 p.m.

OPERATIONS COMMITTEE MEETING

Recording Secretary: Heather Slocum

I. CALL TO ORDER

Chair Nordlund called the Operations Committee meeting to order at 4:02 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:
Jim Nordlund, Chair
Dan Rogers, Vice Chair
Mark Wiggin, Director
Sisi Cooper, Director – *via teleconference*
Susanne Fleek-Green, Director – *arrived at 4:06 p.m.*

Board Members Present:
Katherine Jernstrom, Director
Rachel Morse, Director

Guests and Staff Attendance Present:

Arthur Miller	Trish Baker	Nick Szymoniak
Sherri Highers	Julie Hasquet	Kate Ayers
Matthew Clarkson	Dustin Highers	Dusty Menefee
Andrew Laughlin	Dan Herrmann	Nikki Giordano
Allan Rudeck	Mike Miller	Bart Armfield
Katie Millen	Whitney Wilkson	Bernie Smith, Member

Via Teleconference:

Stephanie Huddell	Amanda Mankel	Buddi Richey
Sandra Cacy	Nathan Golab	

II. APPROVAL OF THE AGENDA

Director Wiggin moved, and Director Rogers seconded the motion to approve the agenda. The motion passed unanimously.

Director Fleek-Green was not present at the time of the vote.

III. APPROVAL OF THE MINUTES

Director Wiggin moved, and Director Rogers seconded the motion to approve the January 21, 2026, Operations Committee Meeting minutes. The motion passed unanimously.

Director Fleek-Green was not present at the time of the vote.

IV. PERSONS TO BE HEARD

Bernie Smith, member, commented on the recent RCA I-docket and presentation, the Bylaws committee, board room sound system, and underfrequency load shed event.

Director Fleek-Green arrived at 4:06 p.m.

V. NEW BUSINESS**

*A. Bylaw Change – Membership Fee** (Wilkson)*

Whitney Wilkson, Associate General Counsel, presented the proposed Bylaw changes and answered questions from the Committee.

Director Fleek-Green made a friendly amendment, and director Wiggin seconded the motion that the words "from time to time" be struck and replaced with "as needed" in the Chugach Electric Association Articles of Incorporation and Bylaws proposed amendments. The motion passed unanimously.

Director Wiggin moved, and Director Fleek-Green seconded the motion that the Operations Committee recommend the Board of Directors approve the proposed amendments to the Chugach Electric Association Articles of Incorporation and Bylaws; direct that the amendments be submitted to the membership for approval in accordance with applicable procedures; and authorize the Chief Executive Officer to take all necessary actions and make all required filings to effectuate the amendments if approved by the membership.

B. Reliability Report (Laughlin/M. Miller)

Andrew Laughlin, Chief Operating Officer and Mike Miller, VP, G&T System Control, presented the Reliability Report and answered questions from the Committee.

C. Decarbonization Program Update (D. Highers)

Dustin Highers, VP, Corporate Programs, presented the Decarbonization Program Update and answered questions from the Committee.

D. Gas Supply Update (Rudeck/Herrmann)

Allan Rudeck, Chief Strategic Officer and Dan Herrmann, Manager, Natural Gas and Energy Resources, presented the Gas Supply Update, and answered questions from the Committee.

VI. DIRECTOR COMMENTS

Director comments were made at this time.

VII. EXECUTIVE SESSION*

A. Gas Supply Update (Rudeck/Herrmann)

At 6:15 p.m., Director Wiggin moved, and Director Fleek-Green seconded that pursuant to Alaska Statute 10.25.175(c)(1) and (3), the Board of Directors go into executive session to: 1) discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and 2) discuss with its attorneys matters the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

The meeting reconvened in open session at 8:08 p.m.

VIII. NEW BUSINESS (NONE)

IX. ADJOURNMENT

At 8:08 p.m., Director Wiggin moved, and Director Rogers seconded the motion to adjourn. The motion passed unanimously.

THE SUPREME COURT OF THE STATE OF ALASKA

MUNICIPALITY OF ANCHORAGE, formerly d/b/a Municipal Light & Power Department, Appellant, v. STATE OF ALASKA, DEPARTMENT OF REVENUE, Appellee.	Supreme Court No. S-18923 Superior Court No. 3AN-21-07457 CI O P I N I O N No. 7807 – April 17, 2026

Appeal from the Superior Court of the State of Alaska, Third Judicial District, Anchorage, Kevin M. Saxby, Judge.

Appearances: Dean D. Thompson and Paul J. Jones, Kemppel, Huffman and Ellis, P.C., Anchorage, for Appellant. Mary Hunter Gramling, Chief Assistant Attorney General, and Treg Taylor, Attorney General, Juneau, for Appellee.

Before: Carney, Chief Justice, and Borghesan, Henderson, and Pate, Justices. [Oravec, Justice, not participating]

BORGHESAN, Justice.

I. INTRODUCTION

This appeal involves a dispute over how to calculate tax credits for the Municipality of Anchorage's production of natural gas. Alaska law taxes the

production of natural gas, while also allowing gas producers to claim tax credits based on the costs of producing that gas. The law's formula for calculating tax credits entails subtracting certain production costs from the amount of taxable gas produced. The law defines what gas is taxable for purposes of this scheme. The tax credits are intended to create incentives for gas producers to invest in producing more gas.

When the dispute began, the Municipality owned one-third of a natural gas field in Cook Inlet. It used most of that gas to make electricity for its residents, selling only small amounts to third parties. A law specific to municipal governments provided that the Municipality had to pay production taxes on only the amount of gas it sold to others yet was eligible for tax credits "to the same extent as any other producer."

When the Municipality applied for tax credits, it calculated them based on costs for producing all of its gas against the very small amount of gas it actually paid taxes on. This calculation yielded sizeable tax credits. The Department of Revenue rejected this calculation. It took the position that the tax credit calculation should be based on the value of all the gas it produced, which met the statutory definition of taxable, even though most of this gas was not actually taxed under the special rule for municipalities. Therefore, it awarded the Municipality tax credits in far smaller amounts than the Municipality had claimed. The superior court affirmed the Department's decision. The Municipality appealed to us.

The dispute boils down to what the legislature meant when providing that municipal gas producers are eligible for tax credits "to the same extent as any other producer." We conclude that the legislature meant for a municipal gas producer's tax credits to be calculated according to the value of gas that the tax credit statutes define as taxable, rather than according to the value of gas that is actually taxed under the special rule that applies only to municipal producers. Although the statutory text is ambiguous, the legislative history supports this interpretation, and it is more consistent with the overall purpose of the tax credit statutes.

We also hold that the Department of Revenue could apply this interpretation of the relevant statutes to the Municipality's tax credit application without first having to adopt a regulation through the rulemaking process. Because the Department's interpretation was foreseeable, did not add any substantive requirements, and did not represent a change in policy, the Department was not required to undertake formal rulemaking.

II. FACTS AND PROCEEDINGS

A. Statutory Framework

In 2006 the legislature enacted a net-value tax on the production of oil and gas, which permitted producers to deduct and take credit for certain expenses against the value of the oil and gas produced.[1] This system remains in place today, but it has been amended in key respects since the events at issue in this case. Because this case concerns tax credits sought for the 2014 and 2015 tax years, we refer to the versions of the statutes in effect during those years unless otherwise indicated.

Three of these tax credits are at issue in this case: (1) the qualified capital expenditure credit;[2] (2) the well lease expenditure credit;[3] and (3) the carried forward annual loss credit.[4] Each credit is calculated by reference to either the producer's "production tax value of taxable . . . oil and gas" or "total taxable production" of oil and

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[1] The net-value framework replaced a gross-value production tax regime. *See* former AS 43.55.016 (2005) (requiring gas producers to calculate tax based on percentage-of-value or cents-per-Mcf, whichever was greater); ch. 2, TSSLA 2006 (adding tax credits for certain losses and expenditures, amending AS 43.55.011 to levy tax on both oil and gas producers and to reference AS 43.55.160 for tax calculation, and adding AS 43.55.160, which determines "production tax value" based on producer's lease expenditures).

[2] Former AS 43.55.023(a)(1) (2014).

[3] Former AS 43.55.023(*l*)(1) (2014).

[4] Former AS 43.55.023(b) (2014).

gas for the year.[5] All three credits are transferable.[6] The credits appear to incentivize exploration for new gas: entities incurring qualifying exploration expenses, but not yet producing gas and paying taxes, could help finance exploration by selling the credits to entities that do produce gas and pay taxes.[7]

1. Oil and gas production taxes

Alaska's tax on the production of oil and gas is calculated by multiplying "the annual production tax value of the taxable oil and gas" by a set percentage.[8] Production tax value is calculated by deducting "the producer's [adjusted] lease expenditures" for the year from the producer's gross value at the point of production (GVPP) "of that oil, gas, or oil and gas taxable under AS 43.55.011(e)."[9] According to AS 43.55.011(e), the tax applies to "all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which

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[5] Former AS 43.55.160(a)(1) (2014) (providing method to calculate "annual production tax value of taxable . . . oil and gas"); AS 43.55.165(e)(18) (2014) (providing that lease expenditures do not include portion of expenditures that are less than $0.30 multiplied by "total taxable production" from a lease property); *see* AS 43.55.023(b) (2014) (providing credit for carried forward annual loss by reference to portion of production tax values not deductible under AS 43.55.160 (2014)); AS 43.55.023(a)(1) (2014) (providing tax credit for certain qualified capital expenditures); AS 43.55.023(*l*)(1) (2014) (providing tax credit for certain well lease expenditures).

[6] Former AS 43.55.023(d) (2014).

[7] *See* 2006 H. Journal 4220-22 (Governor's Jul. 12, 2006 transmittal letter) (explaining that "approach taken by [H.B. 3001] would provide the state with a fairer share of the value of oil and gas production while encouraging vital investment in future production"); Hearing on House Bill (H.B.) 3001 Before the S. Special Comm. on Nat. Gas Dev., 24th Leg., 3d Special Sess., 3:47-3:49 p.m. (Aug. 9, 2006) (statements of Dr. Pedro Van Meurs, Consultant to the Governor) (describing how new tax framework would benefit new explorers by allowing them to recover losses incurred investing in exploration and explaining intent to "put an explorer with a first well in Alaska on exactly the same footing as a large well company").

[8] Former AS 43.55.011(e)(1)(A) (2014).

[9] Former AS 43.55.160(a)(1) (2014).

is exempt from taxation or constitutes a landowner's royalty interest."[10] The phrase "ownership or right to which is exempt from taxation" is further defined as "any ownership interest of the federal government or the state."[11] By its own terms, AS 43.055.011(e) exempts only royalty gas, state-owned gas, or federally-owned gas from production taxes.

To summarize, the statute levies a tax on the net value (gross value minus deductible expenses) of gas that is not royalty gas or gas owned by the State or federal government.

2. The capital expenditure credit and the well lease expenditure credit

Under this tax regime, producers may claim tax credits that can be transferred to other producers.[12] Producers may claim tax credits for certain types of lease expenditures, including qualified capital expenditures and well lease expenditures.[13] Lease expenditures generally include a producer's costs "to explore for, develop, or produce oil and gas" property beyond a certain threshold amount.[14] Qualified capital expenditures are, broadly and with some exceptions, costs "incurred for geological or geophysical exploration" or costs treated as capitalized expenditures under the Internal Revenue Code.[15] Well lease expenditures are either certain "expense[s] for seismic work" within a production unit or, with some limitations,

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[10] Former AS 43.55.011(e) (2014). The Department of Revenue regulation 15 AAC 55.900(b)(22) (2014) further provided that taxable, "when used in reference to oil or gas or both, means produced from a lease or property in the state but excluding any oil and gas the ownership or right to which is exempt from taxation."

[11] Former AS 43.55.900(19) (2014).

[12] Former AS 43.55.023(d) (2014).

[13] Former AS 43.55.023(a), (*l*), (o) (2014).

[14] Former AS 43.55.165(a) (2014); AS 43.55.165(e)(l8) (2014).

[15] Former AS 43.55.023(o) (2014).

qualified capital expenditures that meet further requirements under the Internal Revenue Code and are directly related to specified types of wells.[16]

But producers may not claim the full amount of these expenditures when seeking credits. The statute sets a threshold value for expenditures that count towards credits through a calculation the parties refer to as the "haircut."[17] The haircut is calculated by multiplying the producer's "total taxable production" by $0.30.[18] If a producer's total taxable production is larger, the haircut for its expenditures will be larger too, reducing the value of tax credits it can claim because only expenditures exceeding the haircut threshold qualify as "lease expenditures" under AS 43.55.165(e)(18).[19] Legislative history suggests that the haircut was enacted to approximate the replacement cost of aging facilities so that tax credits are awarded in amounts that correspond to investments in new production.[20]

3. The carried forward annual loss credit

The statutory scheme also allows producers in Cook Inlet to claim a credit for 25% of a "carried forward annual loss."[21] "[A] carried-forward annual loss is the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and 43.55.170 for a previous calendar year that was not deductible in calculating production tax values for that calendar year under AS 43.55.160."[22] By statute,

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16 Former AS 43.55.023(n) (2014).

17 Former AS 43.55.165(e)(18) (2014).

18 *Id.*

19 *Id.*

20 *See* Hearing on H.B. 3001, S. Special Comm. on Nat. Gas Dev., 24th Leg., 3d Special Sess., 11:45-11:55 (Aug. 9, 2006) (statements of Dr. Pedro Van Meurs, Consultant to the Governor).

21 Former AS 43.55.023(b) (2014).

22 *Id.*

production tax value cannot be less than zero.[23] So if a producer's lease expenditures[24] exceed its GVPP in a given year, the excess expenditures cannot be deducted from its tax obligation in that year. But those excess expenditures can be claimed for the carried forward annual loss credit in the following year. Thus, if a producer has low taxable production but high lease expenditures in a given year, it can claim a sizable carried forward annual loss tax credit in the next tax year.

4. Municipalities' special tax status

Municipal entities that produce oil and gas have a special status under the law. By statute, "[a] state law or regulation may not assess or tax, or be construed to assess or tax, a municipality unless the law or regulation expressly provides that the municipality is to be assessed or taxed by the particular law or regulation."[25] In light of this statute, we held in *Department of Revenue v. Municipality of Anchorage* (*DOR v. MOA*) that because the oil and gas production tax statutes in effect at the time did not expressly mention municipal gas producers, production taxes could not be assessed on gas produced by the Municipality.[26]

A few years after this decision, the legislature enacted AS 43.55.895, which addressed application of the oil and gas production statutes to municipal entities.[27] The first subsection of the statute provided that "a producer that is a municipal entity is subject to taxation and payment of surcharges under this chapter for oil and gas that it sells to another party."[28] Given the "express statement" requirement

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[23] Former AS 43.55.160(b) (2014).

[24] Lease expenditures more generally include a producer's costs "to explore for, develop, or produce oil and gas" property after a certain threshold amount. Former AS 43.55.165(a) (2014); AS 43.55.165(e)(l8) (2014).

[25] AS 29.71.030.

[26] 104 P.3d 120, 123-24 (Alaska 2004).

[27] Ch. 1, § 64, SSSLA 2007, codified at AS 43.55.895.

[28] Former AS 43.55.895(a) (2014).

noted above, and the holding of *DOR v. MOA*, the implication of this subsection was that a municipality's own-use gas was not subject to production taxes. The second subsection of AS 43.55.895 provided that "[a] municipal entity subject to taxation because of this section is eligible for all tax credits under this chapter to the same extent as any other producer."[29]

B. Facts

In 2014 and 2015 the Municipality of Anchorage produced natural gas through its ownership interest in the Beluga River Unit in Cook Inlet. The Municipality received 33% of the Unit's natural gas production and was allocated 33% of the Unit's yearly lease expenditures. During these years, the Municipality used almost all of the gas it received through its ownership interest to produce electricity for local use. The Municipality sold $96,040 worth of gas in 2014 and $255,675 worth of gas in 2015. Each of these sales amounted to less than one percent of the Municipality's non-royalty gas production for each year, which the Department calculated to be over $36 million in both 2014 and 2015.

C. Proceedings

In January 2016 the Municipality applied for a transferable tax credit certificate in the amount of $7,776,277 for the tax year ending on December 31, 2014. In March 2016 the Municipality applied for a tax credit certificate totaling $2,473,790 for the tax year ending on December 31, 2015. Each application sought credits for carried forward annual loss, capital expenditures, and well lease expenditures.[30]

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[29] Former AS 43.55.895(b) (2014). The statute's third and final subsection defines "municipal entity" to include a municipally owned utility. Former AS 43.55.895(c) (2014).

[30] For 2014 the Municipality sought $278,990 in capital expenditure credit, $4,301,253 in carried forward annual loss credit, and $3,196,034 in well lease expenditure credit. For 2015 the Municipality sought $138,666 in capital expenditure credit, $2,277,739 in carried forward annual loss credit, and $57,385 in well lease expenditure credit.

After the Municipality applied for the 2014 credits but before the Municipality applied for the 2015 tax credits, the State introduced legislation that proposed to amend AS 43.55.895's provision on tax credits for municipal producers.[31] The Director of the Department's Tax Division, Ken Alper, testified in support of this bill before the legislature. Over the course of several hearings, Director Alper told the legislature that a "literal interpretation" of existing statutes allowed municipal producers to do what the Municipality of Anchorage had done — claim large tax credits by selling a small amount of gas and then offsetting all lease expenditures. The Department also provided a written presentation to the legislature to the same effect, stating that "[c]urrent law allows" that approach. This legislation ultimately passed, amending AS 43.55.895(b) to make a municipal gas producer eligible for tax credits "proportionate to its production taxable under AS 43.55.011(e)."[32]

In May 2016 the State denied the Municipality's request for a carried forward annual loss credit for each year, and partially denied the Municipality's requests for the other two credits.[33] The Municipality objected and timely requested an informal conference with an appeals officer. The Municipality argued that only the gas it sold should be considered taxable production for the credit calculations.

In March 2017 the State issued an informal conference decision that upheld its initial decision. The State determined that municipal own-use gas, although not taxed, should be counted as taxable production when calculating tax credits. It reached this conclusion in part because the credit formula was based on gas "taxable

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[31] H.B. 247, § 37, 29th Leg., 4th Special Sess. (Jan. 19, 2016).

[32] Ch. 4, § 30, 4SSLA 2016.

[33] For 2014 the State partially approved the Municipality's capital expenditure and well lease expenditure credits after adjusting them down to $9,431 and $108,030 respectively. For 2015 the State partially approved the Municipality's capital expenditure and well lease expenditure credits after adjusting them down to $49,078 and $20,138 respectively.

under AS 43.55.011(e)," and AS 43.55.900(19) defines gas "exempt from taxation" as "any ownership interest of the federal government or the state."[34] Because AS 43.55.011(e) did not list municipal own-use gas as exempt from taxation, the State reasoned that this gas counted as taxable production when calculating tax credits. The State relied on AS 43.55.895(b)'s proviso that a municipal producer is "eligible for all tax credits under AS 43.55 *to the same extent as any other producer*." It reasoned that treating municipal own-use gas as taxable when calculating tax credits resulted in similar treatment of municipal and non-municipal producers.

The State also determined that even if the Municipality's reading of the statute were correct, its deductible lease expenditures would have to be prorated to the total taxable production to avoid an "absurd" result in which the Municipality received "special treatment" through the receipt of "millions of dollars of transferable tax credits compared to the small amount of taxes levied." Noting that "tax credits are narrowly construed against the taxpayer," the State affirmed its initial decision disallowing the Municipality's requested tax credits.

The Municipality appealed the informal conference decision to the Office of Administrative Hearings (OAH). The Municipality reprised its statutory interpretation argument. In addition, the Municipality argued that the State's interpretation of the tax credit statutes in the informal conference decision was a novel interpretation of the statute that was invalid under the Administrative Procedures Act (APA) because it was not adopted through rulemaking. This argument relied in part on Director Alper's testimony before the legislature. The Municipality argued that the Director's testimony articulated the State's previous interpretation of the credit statutes, under which the Municipality was entitled to the claimed credits. Therefore, the

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[34] *See* former AS 43.55.011(e) (2014); AS 43.55.900(19) (2014) (defining "ownership or right to which is exempt from taxation" as "any ownership interest of the federal government or the state").

Municipality asserted, the State's different interpretation of the statute when denying its tax credits represented an official change that required rulemaking.

The OAH's administrative law judge (ALJ) granted summary adjudication in favor of the State. The ALJ first decided that the Municipality's own-use gas must be deemed taxable production when calculating tax credits. It reasoned that " '[t]axable' oil or gas in this context is . . . not a question of whether the production is taxed, but whether the value of that production is considered when calculating tax — and in turn tax credits."

Examining the statutory text, the ALJ observed that the tax credit statutes were calculated by reference to oil and gas "taxable under AS 43.55.011(e)," which excludes only ownership interests of the federal or state government and landowner royalty interests.[35] Citing AS 43.55.895(b), the ALJ concluded that treating the Municipality as eligible for tax credits "to the same extent" as other producers required using the same definition of "taxable under AS 43.55.011(e)" that applied to other producers. Whether the Municipality was eligible for tax credits "to the same extent" as other producers depended, according to the ALJ, on the degree of eligibility for the tax credits rather than the particular method used to calculate the tax credits. The ALJ noted that other producers were eligible for carry forward annual loss credits only when their expenditures exceeded the value of their production. Similarly, capital and well credits were available to producers only when their qualified capital and well lease expenditures exceeded the haircut threshold intended to serve as a proxy for replacement costs. The ALJ noted that the Municipality's lease expenditures had not exceeded its production value, so calculating its credits based only on the amount of

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[35] *See* former AS 43.55.011(e) (2014) (levying tax on all oil and gas produced "less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest"); AS 43.55.900(19) (defining "ownership or right to which is exempt from taxation" as "any ownership interest of the federal government or the state").

gas it paid taxes on, rather than the value of the gas it produced, would make it eligible for credits "to a far greater extent than other producers."

The ALJ also ruled that the State's interpretation of these statutes did not amount to a regulation that had to be adopted through formal rulemaking under the APA. The ALJ pointed out that Director Alper's legislative testimony was not an official decision of the agency. But even if it were, the ALJ reasoned, the Department "was within its authority to change that position and to do so without adopting a regulation." The ALJ described the Department's interpretation as "the type of commonsense interpretation that does not require regulation."

The Municipality timely appealed to the superior court. The court affirmed the ALJ decision. It framed the dispute as turning on whether the Municipality's own-use gas was "taxable" for the purpose of tax credit applications despite being exempt from production taxes. Applying the deferential reasonable basis standard to review the Department's interpretation of the tax statutes, the court ruled that the Department's interpretation was reasonable because AS 43.55.895 applied different rules to taxes and to credits for municipalities.

The superior court also rejected the Municipality's APA argument. The court was "not convinced" that Director Alper's testimony constituted the agency's "previous interpretation[]" of the statute. The court reasoned that the Department's interpretation was foreseeable considering the "somewhat unreasonable and unintended consequence of a literal interpretation of the statute." The superior court therefore affirmed the OAH decision.

The Municipality appeals.

III. DISCUSSION

A. The Municipality's Own-Use Gas Was Taxable Production For Purposes Of Calculating Its Tax Credits.

Whether the State erred in denying the Municipality's tax credit claims turns on whether the Municipality's own-use gas, which is not treated as "taxable" when

calculating production taxes, should nevertheless be treated as "taxable" when calculating tax credits.

Before we plumb the meaning of the statutes applied by the agency, we must first decide a threshold question: how much deference to give to the agency's own interpretation of the statutes. We then consider the statutory text, legislative history, and statutory purpose and apply canons of construction.

1. We give no deference to the agency's statutory interpretation.

There are two standards of review that can be applied to an agency's interpretation of a statute.[36] When "the knowledge and experience of the agency is of little guidance to the court or where the case concerns 'statutory interpretation or other analysis of legal relationships about which courts have specialized knowledge and experience,' " we apply the "substitution of judgment" standard.[37] Under the substitution of judgement standard, we adopt "the rule of law that is most persuasive in light of precedent, reason, and policy" while "giv[ing] due deliberative weight 'to what the agency has done, especially where the agency interpretation is longstanding.' "[38]

"[W]hen a case requires resolution of policy questions which lie within the agency's area of expertise and are inseparable from the facts underlying the agency's decision," we defer to an agency's interpretation of a statute if it has a "reasonable basis" in the law.[39] "[S]uch deference should be granted because the

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[36] *Marathon Oil Co. v. State, Dep't of Nat. Res.*, 254 P.3d 1078, 1082 (Alaska 2011) ("We use one of two standards to review agency interpretations of statutes.").

[37] *Earth Res. Co. of Alaska v. State, Dep't of Revenue*, 665 P.2d 960, 965 (Alaska 1983) (citing *Kelly v. Zamarello*, 486 P.2d 906, 916 (Alaska 1971)).

[38] *City of Valdez v. State*, 372 P.3d 240, 246 (Alaska 2016) (quoting *Heller v. State, Dep't of Revenue*, 314 P.3d 69, 73 (Alaska 2013)).

[39] *Tesoro Alaska Petroleum Co. v. Kenai Pipe Line Co.*, 746 P.2d 896, 903 (Alaska 1987) (quoting *Earth Res. Co. of Alaska*, 665 P.2d at 964).

agency, having specialized knowledge in a field, is in a better position than a court to make such determinations."[40] For example, we applied reasonable basis review in *Weaver Bros., Inc. v. Alaska Transportation Commission*.[41] There, a company challenged the Alaska Transportation Commission's approval of a motor carrier's permit transfer.[42] By statute, the permit could be transferred only if the carrier had been shown to be "regular and active" in using its rights to transport goods.[43] We held that the agency was in a better position to determine how to measure "active and regular use" given its expertise on transportation activity.[44]

We also apply reasonable basis review to administrative action taken pursuant to a legislative delegation of fundamental policy-making authority.[45] We did so in *Mobil Oil Corp. v. Local Boundary Commission*.[46] In that case the Local Boundary Commission had accepted a petition for incorporation of a borough pursuant to statutory guidance describing the general standards for incorporation.[47] We concluded that the "special function of the Commission" was to "undertake a broad inquiry into the desirability of creating a political subdivision of the state."[48] We

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[40] *Weaver Bros., Inc. v. Alaska Transp. Comm'n,* 588 P.2d 819, 821 (Alaska 1978) (citing *Alaska Pub. Util. Comm'n v. Chugach Elec. Ass'n*, 580 P.2d 687, 694 (Alaska 1978); *Kelly*, 486 P.2d at 916-17).

[41] *See id.*

[42] *Id.* at 820.

[43] *Id.*

[44] *Id.* at 821.

[45] *Mobil Oil Corp. v. Local Boundary Comm'n*, 518 P.2d 92, 98-99 (Alaska 1974).

[46] *See id.*

[47] *Id.* at 95-96; AS 07.10.030 (1974). This statutory provision still exists but now can be found at AS 29.05.031.

[48] *Mobil Oil Corp.*, 518 P.2d at 97.

reasoned that the statute's use of terms like " 'large enough,' 'stable enough,' 'conform generally,' 'all areas necessary and proper,' 'necessary or desirable,' [and] 'adequate level' "[49] indicated the Commission's authority to make "broad judgments of political and social policy" about "whether an area is cohesive and prosperous enough for local self-government."[50] So the Commission's interpretation of the statutory terms when applying them to specific geographic areas was necessarily "an exercise of delegated legislative authority to reach basic policy decisions."[51] Deference to its interpretation was therefore justified.

The State argues that we should use the reasonable basis standard to review its interpretation of the production tax statutes at issue in this case. The State's argument relies on two decisions in which the Department of Revenue was a party: *Exxon Mobil Corp. v. State, Department of Revenue*[52] and *Union Oil Co. of California v. State*.[53] But neither case supports the application of reasonable basis review to the statutory interpretation question presented here.

The *Exxon* decision is not on point because we did not decide in that case how much deference to give an agency's interpretation of statute. In that case we held that a taxpayer did not have standing to dispute a Department advisory bulletin on the applicability of oil and gas production tax credits before the taxpayer's returns or payments were disputed.[54] In deciding that the dispute was not ripe, we noted the "clear benefit to the Department using its administrative expertise about the oil [and gas] production tax framework to consider issues and defend or alter its current

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[49] *Id.* at 98 (quoting AS 07.10.030 (1974)).

[50] *Id.*

[51] *Id.* at 99.

[52] 488 P.3d 951 (Alaska 2021).

[53] 804 P.2d 62 (Alaska 1990).

[54] *Exxon Mobil Corp.*, 488 P.3d at 958-59.

interpretation in the administrative process."[55] But we did not decide what standard of review should apply to a particular statutory interpretation question.[56] And the decision certainly does not stand for the proposition that all questions about the interpretation of the production tax statutes are subject to deferential reasonable basis review.[57]

The *Union Oil Co.* decision is not on point either because it involved the application of technical expertise that is not relevant here.[58] In that case we applied the reasonable basis standard to review the Department of Revenue's determination of the appropriate accounting method for a tax exemption certificate.[59] The Department determined that a statute exempting a business from tax based "only upon its industrial development income" was intended "to focus on the source of the income, which is better done by separate accounting."[60] The business seeking an exemption argued that exempt income should be calculated in the same manner as actual tax liability.[61] The choice of which accounting method was more appropriate "involv[ed] policy questions within the [Department's] area of expertise that [were] inseparable from the facts underlying the [Department's] decision."[62]

By contrast, this case concerns whether the legislature intended that municipal own-use gas, which is not taxed, be treated as taxable when calculating transferable tax credits, and what the legislature meant when it provided that municipal

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[55] *Id.*

[56] *See generally id.* at 955-57 (holding that advisory bulletin was not regulation for purposes of APA).

[57] *Id.*

[58] 804 P.2d at 64-66.

[59] *Id.* at 64 (concluding that reasonable basis review was appropriate when issue involved policy questions within State's area of expertise).

[60] *Id.* at 65.

[61] *Id.*

[62] *Id.* at 64.

gas producers shall be eligible for tax credits "to the same extent" as other producers.[63] This is ultimately a question of legislative intent rather than a question of technical expertise about oil and gas, business, or accounting. And although the State emphasizes that the oil and gas production tax framework is complex, "[s]tatutory interpretation" — even of complex laws — "is within the scope of the court's special competency."[64]

Finally, this case does not involve the type of legislative delegation of fundamental policy-making authority seen in *Mobil Oil Corp. v. Local Boundary Commission*.[65] The Boundary Commission's statutory authority to determine "whether an area is cohesive and prosperous enough for local self-government involve[d] broad judgments of political and social policy."[66] And the broad statutory standards it was tasked with applying reflected "delegated legislative authority to reach basic policy decisions."[67] But here, the legislature itself determined how municipal oil and gas producers are to be treated with respect to production taxes and credits.[68] There is no indication that the legislature delegated authority to the Department of Revenue to make fundamental policy decisions on this question.

The statutory interpretation question presented here is not dependent on the agency's technical expertise, nor is it a matter of fundamental policy for the agency to decide. Rather, it requires discerning what policy the legislature itself intended when it decided the degree to which municipal entities that produce gas are eligible for tax

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[63] Former AS 43.55.895(b) (2014).

[64] *Union Oil Co. of Cal. v. Dep't of Revenue*, 560 P.2d 21, 23 (Alaska 1977) (citing *State v. Aleut Corp.*, 541 P.2d 730, 736-37 (Alaska 1975)).

[65] 518 P.2d 92, 98-99 (Alaska 1974).

[66] *Id.* at 98.

[67] *Id.* at 99.

[68] Former AS 43.55.895 (2014).

credits. Therefore, we apply the substitution of judgment standard to the statutes in question.

"The goal of statutory construction is to give effect to the legislature's intent, with due regard for the meaning the statutory language conveys to others."[69] When interpreting statutes using our independent judgment, we consider the statutes' language, purpose, and legislative history.[70] "We begin with the text and its plain meaning, and we use a 'sliding-scale approach' to interpret the language."[71] Under this approach, "the plainer the statutory language is, the more convincing the evidence of contrary legislative purpose or intent must be" to overcome the plain meaning of the statute's text.[72]

2. The statutory text is ambiguous.

There are two key points to keep in mind in this statutory interpretation problem. The first point is that tax obligations and tax credits are both calculated by reference to the value of oil and gas "taxable under AS 43.55.011(e)."[73] This point, by itself, tends to support the Municipality's argument. Because its own-use gas is not

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[69] *Roberge v. ASRC Constr. Holding Co.*, 503 P.3d 102, 104 (Alaska 2022) (quoting *Murphy v. Fairbanks N. Star Borough*, 494 P.3d 556, 563 (Alaska 2021)).

[70] *Alyeska Pipeline Serv. Co. v. DeShong*, 77 P.3d 1227, 1234 (Alaska 2003).

[71] *State v. Planned Parenthood of the Great Nw.*, 436 P.3d 984, 992 (Alaska 2019).

[72] *State v. Fyfe*, 370 P.3d 1092, 1095 (Alaska 2016) (quoting *Adamson v. Mun. of Anchorage*, 333 P.3d 5, 11 (Alaska 2014)).

[73] Former AS 43.55.011(e) (2014) (levying production tax by multiplying production tax value by set percentage); AS 43.55.165(e)(18) (2014) (calculating "haircut" for tax credits by reference to "total taxable production"); AS 43.55.023(b) (2014) (calculating carried forward annual loss credit by reference to "production tax values"); AS 43.55.160(a)(1) (2014) (defining production tax value by reference to value of oil and gas "taxable under AS 43.55.011(e)").

taxable when calculating the taxes it owes,[74] the Municipality argues that it should not be counted as taxable when calculating its tax credits.

The second point is that the production tax statutes have specific rules for municipal gas producers, set forth in AS 43.55.895. Subsection (a) contains a special tax rule for municipalities. It expressly taxes only gas sold to other entities; gas produced and used by a municipality, such as for a utility it owns, is not taxed. Subsection (b) provides that municipal gas producers are eligible for tax credits "to the same extent as any other producer." What it means to award tax credits to municipalities "to the same extent" as other producers, given municipalities' unique tax obligations, is at the heart of the parties' dispute.

The Municipality's position is that because its own-use gas is not actually taxed, it should not be considered "taxable" when calculating its tax credits. According to this theory, AS 43.55.895 creates a special rule for municipal producers about what gas is "taxable," and this rule applied the same way to determine both tax obligations and tax credits. In other words, the Municipality reads "eligible for all tax credits . . . to the same extent as any other producer" to mean that its credits should have been calculated based on the volume of gas that is actually taxable — just like other producers.

This approach, in practice, grants the Municipality uniquely generous tax credits. Because the Municipality sold less than one percent of the gas it produced during the tax years in question, its taxable production was low. The Municipality then sought to deduct qualifying expenses it incurred for all of the gas it produced. This yielded a large carried forward annual loss credit. And the "haircut" for its qualified

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[74] As explained above, it is not taxable because under AS 29.71.030 (2014), tax may be assessed against a municipality only if a statute expressly provides for it, and the statute levying production taxes, AS 43.55.011 (2014), does not expressly apply to municipalities. It is AS 43.55.895(a) (2014) that expressly taxes gas that municipalities sell to other entities.

capital and lease expenditure credits was also quite low (again yielding large credits) because it was calculated as a percentage of the small portion of its production that was "taxable," rather than as a percentage of its total gas production. Under the Municipality's interpretation, it could claim far larger tax credits than a non-municipal entity producing the same amount of gas and incurring the same expenses to produce that gas. That is because such a small proportion of the Municipality's gas is "taxable," whereas 100% of a non-municipal producer's gas is taxable. This anomalous result leads us to question whether this is how the legislature intended the statute to work.[75]

The State's position is that a municipality's own-use gas is not "taxable" when determining its tax obligations, but it must be treated as "taxable" when calculating tax credits. According to this theory, AS 43.55.895(a) creates a special rule about what gas is "taxable" for determining municipal producers' tax obligations. But AS 43.55.895(b)'s proviso that municipal producers are eligible for credits "to the same extent as any other producer" should be understood to impose the general rule that applies to other producers when calculating credits. That is, a municipal producer's tax credits must be calculated by reference to the types of gas that are "taxable under AS 43.55.011(e)" itself[76] — not by reference to the special rule in AS 43.55.895(a), which applies only to municipal entities. Because AS 43.55.011(e), by its own terms,

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[75] *See Murphy v. Fairbanks N. Star Borough*, 494 P.3d 556, 564 n.42 (Alaska 2021) ("[E]ven when a statute's language meaning seems plain on its face, ambiguity may arise if applying that meaning would yield anomalous consequences." (citing *Fed. Deposit Ins. Corp. v. Laidlaw Transit, Inc.*, 21 P.3d 344, 351 (Alaska 2001))).

[76] As explained above, AS 43.055.011(e) (2014) levies production tax on "the producer for all oil and gas produced each calendar year . . . less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest." The phrase "ownership or right to which is exempt from taxation" is defined under AS 43.55.900(19) (2014) as "any ownership interest of the federal government or the state."

levies a tax on all gas produced except gas that is a landowner's royalty interest or is owned by the state or federal government, the State argues that all gas produced by the Municipality should be deemed taxable when calculating tax credits.

From the statutory text alone, it is not clear which approach the legislature intended. Because municipal gas producers are subject to special tax treatment by virtue of AS 29.71.030 and AS 43.55.895(a), it is not entirely straightforward what the legislature meant by making municipal entities eligible for tax credits "to the same extent as any other producer." Did it mean that their tax credits should be calculated based on the amount of their gas production that is actually "taxable under AS 43.55.011(e)"? Or did it mean that their tax credits should be calculated based on the gas that AS 43.55.011(e) describes as taxable? These two things are the same for most producers, but not for municipal entities. So it is not possible to treat a municipal entity completely the same as other producers when calculating tax credits.

The Municipality emphasizes, repeatedly, that its own-use gas cannot be taxed, was not taxed, and so was not "taxable under AS 43.55.011(e)." The Municipality's interpretation has the virtue of simplicity.

But this apparent simplicity glosses over the fact that the Municipality's version of being treated the same as other producers starts with it being treated differently. The Municipality's interpretation would apply AS 43.55.895(a)'s special rule limiting what municipal gas is taxable not only when calculating tax, but also when awarding credits. To put it another way, the Municipality argues that making it eligible for tax credits "to the same extent as any other producer" meant calculating its credits on the basis of statutes giving it a unique tax status. But it seems at least as plausible to think that by making municipal entities eligible for tax credits "to the same extent as any other producer," the legislature intended that municipal entities' special tax status should *not* play a role in determining their tax credits.

The Municipality also maintains that if its tax credits were not calculated based on the value of gas that can actually be taxed under AS 43.55.011(e), then it was

not being treated the same as other producers, whose credits were calculated according to that value. This may be true, but the point is not decisive. As we have just explained, because a municipal gas producer has a unique tax status, it is not possible to calculate its tax credits in identical fashion to the credits of other producers. Neither the Municipality's interpretation nor the State's interpretation results in a municipal entity's tax credit calculations being identical to other producers' in all respects.

Because we cannot discern, from the text alone, what the legislature intended, we turn to the legislative history and what it reveals about the purpose of these statutory provisions.

3. Legislative history, statutory purpose, and the canon of strict construction suggest that municipal own-use gas should be treated as "taxable under AS 43.55.011(e)" when calculating tax credits.

The legislative history of AS 43.55.895 points in the State's favor. This history suggests that the legislature did not intend for municipal gas producers to receive disproportionately favorable tax credits due to their unique tax status.

The legislature enacted AS 43.55.895 in 2007.[77] Early versions of the bill did not authorize municipalities to receive tax credit certificates.[78] A proposed amendment and emails discussing the proposed amendment in the record created before the ALJ in this case indicate that representatives of the Municipality sought to introduce an amendment that would have provided that a municipal entity "subject to taxes because of this section is eligible for tax credits under this chapter." According to these documents, the State sought to introduce a slightly different amendment providing that municipal entities would be eligible for tax credits "to the same extent as any other

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[77] Ch. 1, § 1, SSSLA 2007.

[78] H.B. 2001, § 31, 25th Leg., 2d Special Sess. (Oct. 18, 2007) (amending AS 43.55.023 to provide that "[a]n entity that is exempt from taxation under this chapter may not apply for a transferable tax credit certificate").

producer." The amendment ultimately adopted contains the language favored by the State.[79] Comparison of the two proposals supports an inference that "to the same extent" was intended to act as a limit on municipal eligibility for tax credits.

A statement made by the amendment's sponsor also supports this interpretation:

> [T]his amendment addresses an issue that dealt, inartfully, in the original bill with municipal entities. . . . [I]t brings clarity to the liability for production taxes of municipal entities who are producers of gas or oil. And under the amendment, and consistent with a Supreme Court ruling, municipal entities are not liable for taxes and surcharges, nor eligible for credits for production of oil or gas they use in house. *But also under this amendment, municipal entities are liable for taxes and eligible for credits for production of oil and gas that is then sold to another party, just as any other producer would be.*[80]

The sponsor's statement suggests an intent that the credits for municipalities be calculated so that municipalities did not receive disproportionate tax treatment as a result of using gas in-house.

It must be noted that the sponsor's statement does not correctly describe how the statute actually works. The statement implies that eligibility for tax credits depends on selling gas, but as the Municipality points out in its brief, that is not the case. Entities can be eligible for tax credits even if they sell no gas.[81] In fact, the less

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[79] Senate Committee Substitute for Committee Substitute for H.B. 2001 (FIN), § 64, 25th Leg. 2d Special Sess. (Nov. 15, 2007).

[80] Hearing on H.B. 2001 Before the S. Fin. Comm., 25th Leg., 2d Special Sess., 9:43-9:44 p.m (Nov. 14, 2007) (statement of Senator Kim Elton) (emphasis added).

[81] Credits available under AS 43.55.023(a) (2014), AS 43.55.023(b) (2014), and AS 43.55.023(*l*)(1) (2014) are available to both producers and explorers that incur expenditures in exploring for new oil or gas reserves.

gas they sell, the greater tax credit they are likely to receive, because tax credits are inversely related to "production tax value."[82]

Yet the statement's imprecision does not muffle the clearly expressed intent that municipal entities not receive uniquely generous tax credits as a result of the gas they use in-house. That sentiment tends to support the State's interpretation of "to the same extent as any other producer": a municipal producer's tax credits are to be calculated based on the general rule of what gas is taxable, rather than the special rule applicable to municipal producers only.

The State's interpretation also seems to better align with the underlying purpose of the production tax credits themselves.[83] Before the carried forward annual loss credit was adopted, former Tax Division Director Robynn Wilson stated to the Senate Finance Committee that the purpose of this credit was to address "if you're in a loss position — i.e., your expenditures exceed your production tax value — you end up with a net loss."[84] According to the State, a producer should only be eligible for the carried forward annual loss credit under a net-value tax system when it incurs a loss — i.e., when it spends more than the value of what it produces. But the Municipality did not experience a loss in the tax years at issue. The value of its non-royalty production (over $36 million in each year) exceeded its lease expenditures. Therefore, an interpretation of a municipal entity's eligibility for tax credits that allows it to claim sizable tax credits when the value of its production exceeds its expenditures does not

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[82] *See* former AS 43.55.023(a)(1) (2014); AS 43.55.023(b) (2014); AS 43.55.023(*l*)(1) (2014); AS 43.55.160 (2014); AS 43.55.165(e) (2014).

[83] We interpret a statute's text in light of its overall purpose. *See, e.g.*, *Cent. Recycling Servs., Inc. v. Mun. of Anchorage*, 389 P.3d 54, 57 (Alaska 2017); *City of Valdez v. State*, 372 P.3d 240, 254 (Alaska 2016).

[84] Hearing on H.B. 3001 Before the S. Special Comm. on Nat. Gas Dev., 24th Leg., 3d Special Sess. at 3:45 p.m. (Aug. 9, 2006) (statements of Robynn Wilson, Tax Division, Dep't of Revenue).

align with what the legislature intended by making municipalities eligible for credits "to the same extent as any other producer."

The Municipality's alternative reading of this legislative history is not persuasive. Noting that Director Wilson used the statutory term "production tax value" when describing the "net loss," the Municipality asserts that her use of a term with a "specific statutory meaning" indicates legislative intent that the credit must be calculated according to the "the value of taxable gas . . . whatever it might be." In other words, the Municipality suggests that the legislature must have intended the credit to apply to its own circumstances, even though it did not suffer an actual loss. But it seems much more likely that Director Wilson's reference to net losses reflected an intent to credit real losses — when expenditures exceed value produced — and not paper "losses" due to the Municipality's unique tax status.

In a similar vein, legislative history suggests that the haircut was enacted to prevent producers from claiming large capital expenditure tax credits for the costs of replacing aging facilities.[85] Under the Municipality's interpretation, a municipal entity producing the same amount of gas and incurring the same expenditures as a non-municipal entity would receive a far larger tax credit than the non-municipal entity. The Municipality's more generous tax credit would bear no relation to the statutory purpose of ensuring that tax credits reward investments in new production. In response to this point the Municipality essentially shrugs its shoulders, maintaining that the haircut is a "very blunt instrument." That may be so, but we are still inclined to favor an interpretation that aligns with statutory purpose over one that has no relation to it.[86]

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[85] *See* Hearing on H.B. 3001, S. Special Comm. on Nat. Gas Dev., 24th Leg., 3d Special Sess., 11:45-11:58 (Aug. 9, 2006) (statements of Dr. Pedro Van Meurs, Consultant to the Governor).

[86] *Cent. Recycling Servs., Inc.*, 389 P.3d at 57 ("[W]henever possible, we construe a statute in light of its purpose." (quoting *Alaskans for a Common*

"Taxpayer exemptions are strictly construed against the taxpayer and in favor of the taxing authority."[87] This canon of construction "is an aid to, not a substitute for statutory interpretation."[88] In this case the canon helps resolve any lingering ambiguity about what the legislature intended by making municipal producers eligible for tax credits "to the same extent as any other producer." A narrower construction of this phrase is the one that treats municipal own-use gas as "taxable" when calculating tax credits, avoiding outsized credits that bear no relation to the underlying purposes of the tax credit scheme.

Because we agree with the State's interpretation of the relevant statutes, we affirm its decision partially rejecting the tax credits sought by the Municipality.[89]

B. The Agency's Statutory Interpretation Was Not A Regulation That Required Formal Rulemaking.

Whether the State's decision is invalid under the APA depends on whether the statutory interpretation underlying the decision constituted an administrative

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Language, Inc. v. Kritz, 170 P.3d 183, 192-93 (Alaska 2007))); *Murphy v. Fairbanks N. Star Borough*, 494 P.3d 556, 564 (Alaska 2021) ("[W]hen construing a statute, we must, whenever possible, interpret each part or section of a statute with every other part or section, so as to create a harmonious whole." (alteration in original) (quoting *Alaska Airlines, Inc. v. Darrow*, 403 P.3d 1116, 1127 (Alaska 2017))).

[87] *Ketchikan Gateway Borough v. Ketchikan Indian Corp.*, 75 P.3d 1042, 1045 (Alaska 2003) (citing *Sisters of Providence in Wash., Inc. v. Mun. of Anchorage*, 672 P.2d 446, 447 (Alaska 1983)).

[88] *Sisters of Providence in Wash., Inc.*, 672 P.2d at 447 (quoting *McKee v. Evans*, 490 P.2d 1226, 1230 n.18 (Alaska 1971)).

[89] The State raises two alternative arguments for affirming the agency decision. First, the State argues that the Department's denial of additional tax credits could be affirmed by prorating the Municipality's lease expenditures. Second, the State argues that the decision could be affirmed through the "economic substance doctrine," under which the State claims the Municipality's small gas sale could be disregarded because the sale lacked economic substance and had little to no practical economic effect. Because we conclude that the State correctly interpreted the tax credit statutes, we do not reach these alternative arguments.

regulation that required formal rulemaking. The APA "establish[es] basic minimum procedural requirements for the adoption, amendment, or repeal of administrative regulations."[90] The required procedures include public notice of a proposed action,[91] opportunity for public comment,[92] and recordkeeping.[93] If a regulation is not adopted in accordance with these rulemaking procedures, it is invalid.[94]

The APA's definition of "regulation" is broad,[95] but we have held that not all agency interpretations of statute are regulations that require rulemaking.[96] "[A]gencies must have some freedom to apply relevant statutes without the burden of adopting a regulation each time they do so."[97] "Requiring that every agency

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[90] AS 44.62.280 ("It is the purpose of AS 44.62.180-44.62.290 to establish basic minimum procedural requirements for the adoption, amendment, or repeal of administrative regulations.").

[91] AS 44.62.190; AS 44.62.200.

[92] AS 44.62.210.

[93] AS 44.62.215.

[94] *See* AS 44.62.300(a)(1); *see also, e.g.*, *Friends of Willow Lake, Inc. v. State, Dep't of Transp. & Pub. Facilities, Div. of Aviation & Airports*, 280 P.3d 542, 548-49 (Alaska 2012).

[95] AS 44.62.640(a)(3) defines regulation as:

> [E]very rule, regulation, order, or standard of general application or the amendment, supplement, or revision of a rule, regulation, order, or standard adopted by a state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure, except one that relates only to the internal management of a state agency.

[96] *Chevron U.S.A., Inc. v. State, Dep't of Revenue*, 387 P.3d 25, 36 (Alaska 2016).

[97] *Stefano v. State, Dep't of Corr.*, 539 P.3d 497, 502 (Alaska 2023) (alteration in original) (quoting *Chevron*, 387 P.3d at 36).

interpretation of governing law 'be preceded by rulemaking would result in complete ossification of the regulatory state.' "[98]

"[A]n agency's interpretation of an existing statute . . . requires rulemaking if it adds requirements of substance, is unforeseeable, or changes the agency's approach."[99] "Whether an agency action is a regulation is a question of law that does not involve agency expertise, which we review applying our independent judgment."[100]

The Municipality argues that the interpretation of the tax credit statutes adopted in the Department's decision constituted a regulation that required rulemaking because the interpretation was expansive and unforeseeable. The Municipality also argues that the decision reflects a change in the Department's previous interpretation because it differs from Director Alper's description of the statute in testimony before the legislature. We address each argument in turn.

1. The agency's decision was not expansive and reflects a foreseeable interpretation of an ambiguous statute according to its own terms.

An agency's interpretation of a statute may be a regulation that requires rulemaking if it "add[s] specific criteria or values that clarif[y] the existing statutory or regulatory standard and requires the public to comport with precise criteria not specified in existing rules."[101] By contrast, "agencies do not need to promulgate regulations when

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[98] *Stefano*, 539 P.3d at 520 (quoting *Marathon Oil Co. v. State, Dep't of Nat. Res.*, 254 P.3d 1078, 1086 (Alaska 2011)).

[99] *AVCG, LLC v. State, Dep't of Nat. Res.*, 527 P.3d 272, 280 (Alaska 2023) (citing *Chevron*, 387 P.3d at 36-37).

[100] *Id.*

[101] *Chevron*, 387 P.3d at 37.

they merely apply an existing statutory or regulatory standard to the facts before them."[102]

The Municipality argues that the informal conference decision upholding the State's credit calculations is a significant expansion of the plain terms of AS 43.55.011(e) and AS 43.55.895. The Municipality also argues that the interpretation is unforeseeable, pointing to Director Alper's assertion that a "literal interpretation" of the statute would make municipal gas producers eligible for significant credits despite producing substantial amounts of gas.

The Department's interpretation of the tax credits was neither expansive nor unforeseeable. As discussed above, the Department's interpretation of the municipal tax credits is the most persuasive interpretation of the statutes at issue when reading the production tax scheme as a whole and viewing AS 43.55.895 as a set of rules for the special case of municipal entities that produce oil and gas. Because the Department's interpretation is the most persuasive interpretation of the statute, it cannot be expansive or unforeseeable.

2. The agency's decision did not change its previous interpretation of the statute.

The Municipality also asserts that the Department's decision reflected a change in its interpretation of the statute, departing from the interpretation described by Director Alper before the legislature. Therefore, the Municipality argues, this "new"

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[102] *AVCG, LLC*, 527 P.3d at 282. *Compare Alaska Ctr. for the Env't v. State*, 80 P.3d 231, 242-44 & n.40 (Alaska 2003) (holding that agency's determination that regulation governing "major energy facilities" did not apply to airport expansion was "common sense interpretation of the regulation's applicability"), *and Alyeska Pipeline Serv. Co. v. State, Dep't of Env't Conservation*, 145 P.3d 561, 563, 573 (Alaska 2006) (concluding that agency deciding whether certain costs were recoupable from regulated party did not constitute a regulation), *with Jerrel v. State, Dep't of Nat. Res.*, 999 P.2d 143-44 (Alaska 2000) (holding that adding specific, inflexible requirements to a rule constituted a regulation that required rulemaking procedures).

interpretation was invalid because it was not adopted through rulemaking. We are not persuaded that Director Alper's testimony amounts to an official interpretation of statute that the Department was bound to follow until changed through formal rulemaking.

After the Municipality applied for tax-year 2014 credits but before it applied for tax-year 2015 credits, the State introduced legislation proposing to amend AS 43.55.895(b).[103] The amendment limited a municipal entity's tax credit eligibility so that it would be eligible for "credits proportionate to its production taxable under AS 43.55.011(e)."[104]

In support of this legislation, Director Alper described the example of a "municipal utility":

> If a utility owns gas production, say, and is burning it themselves in their own turbines and supplying their own customers, their own citizens, that's fine. That's not really a taxable event. But what happens if they have a little bit of surplus production and they sell it to a third party, let's just say. Well, again, a literal interpretation of the law says they can take that tiny amount of revenue that comes from selling one or two percent of their production and offset all of their expenses against it for the purposes of calculating certain credits and certain benefits. And that's one of those things that the lawyers say, "Nope, that's what it says," and we say, "Well I don't think that's what it's supposed to say." So we're going to try to clean that up in one of the sort of secondary features of the legislation before you.[105]

Director Alper made similar comments in other exchanges with legislators, discussing the difficulty of "dealing with literal interpretations of law issues" and describing the

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[103] H.B. 247, §37, 29th Leg., 2d Sess. (Jan. 19, 2016).

[104] *Id.*

[105] Hearing on H.B. 247 Before the House Res. Standing Comm., 29th Leg., 2d Sess. at 2:36 p.m. (Feb. 3, 2016) (testimony of Ken Alper, Director, Tax Division, Dep't of Revenue).

issue of gas producers claiming lease expenditures based on their total gas production as a "somewhat unreasonable and unintended consequence of a literal interpretation of statute."[106] In a written exhibit provided to members of the legislature, the Department stated that in the case of a municipal utility, "[c]urrent law allows all lease expenditures to be used to offset the comparably small amount of sales, potentially generating large credits."

Based on these statements, the Municipality argues that the Department previously interpreted the statutes in a way that supports the Municipality's claimed credits and could not change this interpretation without rulemaking. To support this argument the Municipality cites our decisions in *Chevron U.S.A., Inc. v. State, Department of Revenue*[107] and *Stefano v. State, Department of Corrections*.[108]

In *Chevron* we rejected the argument that the Department of Revenue violated the APA when it adopted an interpretation of the statutory term "economically interdependent" that differed from a position articulated in internal deliberative documents.[109] We recognized that these internal documents "were never meant to represent [the Department's] official policy position[]" on the statute.[110] Therefore, the official decision, which reached a different conclusion about the meaning of "economically interdependent," "d[id] not represent a change in official policy that

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[106] Hearing on H.B. 247 Before the House Res. Standing Comm., 29th Leg., 2d Sess. at 8:34 am (Feb. 25, 2016) (testimony of Ken Alper, Director, Tax Division, Dep't of Revenue).

[107] 387 P.3d 25 (Alaska 2016).

[108] 539 P.3d 497 (Alaska 2023).

[109] 387 P.3d at 39-41.

[110] *Id.* at 40.

requires rulemaking because the internal documents never purported to set forth [the Department's] official position."[111]

In *Stefano* we ruled that the Department of Corrections violated the APA when it changed its interpretation of a prisoner's "firm release date" for furlough purposes.[112] In 2019 the agency published an official memorandum describing how a prisoner's "firm release date" would be calculated.[113] In 2021 it announced a new interpretation via email and then applied the new interpretation to calculate prisoners' furlough dates.[114] "There [wa]s no question that the Department changed its interpretation of 'firm release date' as a change in official policy, so formal rulemaking was required."[115]

Although the circumstances of this case are somewhat unique, they seem closer to *Chevron* than to *Stefano* for two reasons.

First, Director Alper's statements to the legislature were not presented as "official policy" the way the interpretation of "firm release date" in *Stefano* was. In many, though not all, of his statements, Director Alper mentions the "literal" interpretation of the statute, implying that this was not the true or intended meaning of the statute. His testimony does not convey the certitude of official policy like the memos in *Stefano*.

And although Director Alper's statements were not deliberative or internal like the memos in *Chevron*, we have similar misgivings about treating them as statements of official policy. In *Chevron* we reasoned that treating internal documents as prior official positions that could be reversed only through rulemaking would

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111 *Id.*

112 *Stefano*, 539 P.3d at 503-05.

113 *Id.* at 500-01.

114 *Id.*

115 *Id.* at 503.

"dissuade agency officials from conducting important internal written analyses and examining policy issues from all sides."[116] Treating Director Alper's testimony as the agency's official interpretation of statute would raise similar concerns. Agency officials might be dissuaded from candidly describing ambiguity in statutory text when interacting with legislators if their statements will be treated as pronouncements of official policy in later adjudications.

In some cases the statements of an agency's top official in sworn testimony to the legislature might well be sufficient to induce reliance. We noted in *Stefano* that "[t]he need for rulemaking when an interpretation changes . . . rests on the APA's statutory purpose of providing adequate notice to regulated parties."[117] "The notice requirement allows 'members of the public sufficient information to decide whether their interests could be affected by the agency action and thus whether to make their views known to the agency.' "[118] It also "gives potentially regulated parties a chance to conform their actions to the agency's expectations."[119] Allowing the agency to change its position without formal rulemaking could create real unfairness for the regulated public.

But these risks are not present here. The transactions underlying the Municipality's tax credit claims all occurred before Director Alper's testimony. And the Municipality's first application for tax credits was submitted before this testimony

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[116] 387 P.3d at 40.

[117] 539 P.3d at 502.

[118] *Id.* (quoting *State v. First Nat'l Bank of Anchorage*, 660 P.2d 406, 425 (Alaska 1982)).

[119] *Id.* (citing *AVCG, LLC v. State, Dep't of Nat. Res.*, 527 P.3d 272, 286 (Alaska 2023)); *id.* at 502 n.28 ("Applying standards that already exist does not require formal rulemaking because . . . . [p]ast decisions provide regulated entities with notice of the agency's expectations . . . ." (alteration in original) (quoting *AVCG, LLC*, 527 P.3d at 286)).

as well. Thus, the Municipality cannot claim that it structured its affairs in reliance on Director Alper's testimony as statements of the official policy.

Second, there is no indication that the "literal interpretation" Director Alper described had been applied to any case or entity. In *Stefano* both the prior interpretation of "firm release date" and the updated interpretation had been applied to determine inmates' release dates.[120] But in *Chevron* we deemed it significant that the oil producers challenging the Department's decision as a change in official policy "fail[ed] to cite or describe earlier decisions addressing" the statutory term, "much less demonstrate how [the Department's] [d]ecision was inconsistent with precedent."[121] As in *Chevron*, the Municipality has not pointed to any administrative actions or decisions in which the Department has calculated tax credits according to the Municipality's interpretation of the statutes.

If a particular reading of a statute has never been announced as official policy and has never been applied in official proceedings, then applying a different reading does not truly amount to a change.[122]

Finally, the Municipality argues that the legislature's subsequent revision of AS 43.55.895(b) proves that the statute previously meant what the Municipality argued. This does not follow. "An amendment of an unambiguous statute is generally presumed to indicate a substantive change in the law. Where the original statute is ambiguous, however, a change may be regarded as a legislative interpretation or clarification of the pre-existing law."[123] We have acknowledged the ambiguity in AS 43.55.895(b). The legislature's clarification of the law does not indicate that the Municipality's position on the tax credit calculation was correct all along. Nor does the

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[120] *Id.* at 500-01.

[121] 387 P.3d at 41.

[122] *See id.* at 40-41.

[123] *City of Anchorage v. Thomas*, 624 P.2d 271, 273 (Alaska 1981).

statute's modification suggest that the Department shared the Municipality's position prior to the legislature's clarification. Accordingly, the Department's decision to deny the Municipality's claimed tax credits did not entail a changed official interpretation of statute that could be made only through rulemaking. We affirm the superior court's rejection of the Municipality's APA claim.

IV. CONCLUSION

For the foregoing reason, the superior court's judgment is AFFIRMED.

UNITED STATES OF AMERICA
BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

Chugach Electric Association, Inc.
Docket No. DI26-3-000

MOTION TO INTERVENE AND PROTEST OF MATANUSKA ELECTRIC ASSOCIATION, INC.

To the Commission:

Pursuant to Rules 211, and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 385.211, and 385.214, Matanuska Electric Association, Inc. ("MEA") hereby submits this Motion to Intervene and Protest in the above Docket proceeding concerning the proposed Boulder Creek Hydropower Project.

I. COMMUNICATIONS

All communications and correspondence regarding this filing should be addressed to:

Nathan Greene Sr. Manager of Energy Transformation Matanuska Electric Association, Inc. 163 East Industrial Way Palmer, Alaska 99645 907-761-9396 Nathan.Greene@mea.coop	David Pease General Counsel Matanuska Electric Association 163 East Industrial Way Palmer, Alaska 99645 907-761-9275 david.pease@mea.coop
Julie Estey Chief Strategy Officer Matanuska Electric Association, Inc. 163 East Industrial Way Palmer, Alaska 99645 907-761-9215 julie.estey@mea.coop	Kim Henkel Chief Financial Officer Matanuska Electric Association, Inc. 163 East Industrial Way Palmer, Alaska 99645 907-761-9360 Kim.Henkel@mea.coop

II. BACKGROUND

On March 19, 2026, the Commission issued a Notice of Declaration of Intention and Soliciting Comments, Protests, and Motions to Intervene to Chugach Electric Association, Inc. ("Chugach") for the proposed Boulder Creek Hydropower Project located in the Matanuska-

Susitna Borough, Alaska. The proposed project is an approximate 8.5 MW storage-based hydroelectric facility designed to provide winter baseload generation through seasonal water storage. MEA is complying with the above notice by filing a protest and motion to intervene by the deadline of April 20th, 2026, 5pm Eastern Time.

III. MOTION TO INTERVENE

MEA seeks to intervene in this proceeding due to a direct, substantial, and legally protectable interest that will be affected by the outcome of this matter. MEA is a member-owned electric cooperative headquartered in Palmer, Alaska and operates under Certificate of Public Convenience and Necessity No. 18 issued by the Regulatory Commission of Alaska ("RCA"). MEA and Chugach operate adjacent service territories and, central to this Motion to Intervene, operate within a single coordinated Load Balancing Area (LBA) as required by the RCA.

The proposed Boulder Creek Hydropower Project is located within MEA's certificated service territory. Despite these requirements, Chugach did not consult with MEA prior to filing this application, and did not coordinate on contractual, interconnection, transmission, or operational matters.

These circumstances present concerns for MEA and necessitate the submission of this Motion to Intervene. MEA seeks to safeguard the integrity of its certificate for its service territory and to ensure that any new generation within this territory does not negatively affect the ongoing operation of MEA's bulk electric system generation and transmission assets, which serve MEA's members. MEA anticipated that Chugach would initiate communications prior to submitting a FERC permit application to address matters such as system impacts, integration,

transmission, standby power, capacity, and other relevant issues. However, Chugach made no such outreach, requiring MEA to intervene in this application process[1].

Additional to this Motion to Intervene, MEA is filing a Motion to Intervene on the Caribou Creek Hydropower Project, Docket DI26-4-000, which has identical circumstances and concerns to the Boulder Creek Hydropower Project application.

A. Contractual Rights and Obligations

MEA and Chugach are parties to an RCA-approved *Second Amended and Restated Operations Agreement for Power Pooling and Joint Dispatch*.[2] (APPA). Section 4.2 of that Agreement imposes a clear and mandatory obligation on the Parties:

"If a Party or Parties want to make a Generation or Transmission Resource addition, retirement, or removal, and there is not another entity in existence that provides generation or transmission planning that commits the interconnected Railbelt electric utilities to adhere to a Railbelt Generation & Transmission resource plan, then the Parties commit to developing a joint development process that assesses the merits and demonstrates no harm to any Party of any proposed Generation Resource(s) and Transmission Resource(s) action or lack of action and seek regulatory approval for any change."

Since there is currently no entity that requires the Alaska Railbelt electric utilities to follow a unified Generation & Transmission resource plan, MEA and Chugach have established a joint development process as required by section 4.2 above. This process mandates that both parties jointly evaluate any generation resource additions exceeding 5 MW, coordinate all actions through established governance mechanisms, and ensure that any proposed project demonstrates

[1] MEA is aware Chugach has filed recent FERC applications for other hydroelectric projects within Alaska. At least one of these other applications has generated a similar Motion to Intervene from the Municipality of Seward for the Godwin Creek Hydroelectric Project (Project No. 15421).

[2] Second Amended and Restated Operations Agreement for Power Pooling and Joint Dispatch (APPA), available at: https://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=6AD74C80-086B-41DC-988B-236C7D760776

"no harm" to either party before proceeding. The Boulder Creek Hydropower Project exceeds this threshold at 8.5MW and is therefore subject to these requirements.

Chugach's failure to consult or coordinate with MEA prior to filing this application constitutes a clear violation of obligations outlined in Section 4.2, including the established joint development process, requiring MEA to file this motion to intervene.

B. Regulatory Precedent

The Regulatory Commission of Alaska has determined that the APPA between MEA and Chugach is binding and enforceable, as affirmed throughout RCA Order No. 12 in Docket U-22-010[3], emphasized specifically on lines 16 and 17 of page 7 of 37.

C. Direct Operational and Infrastructure Impacts

Additional to MEA's contractual interest, an immediate operational interest is also placed at risk. As the owner and operator of the distribution and transmission systems in the Boulder Creek Hydropower Project area, MEA must be integrally involved, as such a facility would need to interconnect with MEA's transmission system, adhere to MEA's interconnection requirements and system constraints, and be incorporated into MEA-controlled distribution and transmission operations. Involving MEA in the process needs to occur prior to the application filing, so that the addition of any future generation can be operationally evaluated, and a determination made if it can be accommodated by existing infrastructure, or if new infrastructure is required.

Additionally, because MEA and Chugach operate within a single Load Balancing Area (LBA), the proposed project would have direct impacts on day-ahead scheduling, and both the real-time and security constrained economic dispatch (SCED), load balancing and frequency

[3] RCA Order 12, Docket U-22-010: ORDER FINDING UNREASONABLE MANAGEMENT PRACTICE, REQUIRING CORRECTIVE ACTIONS, REQUIRING FILINGS, GIVING NOTICE, AND CLOSING DOCKET, available at: https://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=1788f4ca-f058-442d-a454-dab1ead342dc

control obligations, regulation and contingency reserve requirements, transmission loading, and congestion management.

Without Chugach's coordination with MEA, the Boulder Creek Hydroelectric Project, particularly as a storage-based hydro resource, introduces further operational challenges. These include dispatch decisions based on reservoir management rather than real-time system needs, ramping and availability constraints that require coordination with other generation resources, integration of hydro generation into existing gas-constrained winter operations and financial contractual obligations, and the need to coordinate planned and forced outages to maintain system reliability.

Dispatch scheduling and economic optimization across the pooled system, outage coordination for both planned and unplanned events, arrangements for standby, backup, and replacement power, and the settlement and cost allocation implications within pooled operations must be understood within the LBA. These elements are not discretionary and represent core operational requirements within the highly integrated system MEA currently operates and manages.

Without MEA's participation, the Commission would lack the input of the entity that owns and operates the distribution and transmission system required for interconnection, manages balancing operations within the LBA, and holds key contractual rights governing generation development and dispatch coordination. No other party represents these interests to the same extent. Therefore, MEA's involvement is essential to ensure the record is complete and accurate, to address practical operational constraints, and to protect both contractual rights and overall system reliability.

IV. BASIS FOR INTERVENTION

This Motion to Intervene is filed in a timely manner in accordance with the notice issued for this docket and proceedings.

Granting this motion is appropriate because MEA is a party directly affected by Chugach's application to construct the Boulder Creek Hydroelectric Project within MEA's service territory.

As set forth above, the proposed project will have direct and material impacts on MEA's operations and interests. MEA must be given opportunity to protect its operational interests, which will have to become a part of the Boulder Creek hydroelectric Project, while complying with existing RCA contracts. Absent coordination and cooperation by Chugach, MEA has no option but to move to intervene in this proceeding.

MEA is not aware of any other party that has such a significant interest in the Boulder Creek Hydroelectric Project or will be as impacted by this project as will MEA. MEA requests intervenor status so that it can act in the best interests of its members:

1. *The movant has a direct and substantial interest in the proceeding;*
   As described above, MEA owns and operates the distribution and transmission system in the project area, maintains service territory rights, and is a party to binding contractual obligations governing generation development and joint dispatch. The proposed project is located within MEA's service territory and will interconnect with and operate on systems managed by MEA, giving rise to direct operational, contractual, and regulatory interests in this proceeding.

2. *The movant's interest is not adequately represented by other parties;*
   No other party to this proceeding represents MEA's specific interests as the transmission owner and operator in the project area, a counterparty to the APPA, or a participant in the joint dispatch framework. As outlined above, these roles create distinct operational and contractual considerations that are unique to MEA and are not otherwise represented in the record.

3. *The movant's participation will not unduly delay or disrupt the proceeding;*
   MEA's participation is limited to protecting its operational, contractual, and regulatory interests as described above. MEA does not seek to delay proceedings and will comply

with all applicable procedural requirements and schedules established in this docket and proceedings.

V. PROTEST

In addition, MEA respectfully submits this Protest to ensure that the Commission's review fully considers the contractual, operational, and system-wide implications of the proposed project.

A. Filing Is Premature and Incomplete

The filing is premature and incomplete as it fails to demonstrate compliance with Section 4.2 of the APPA, which explicitly requires both parties to engage in a Joint Development Process, and to provide evidence that any resource additions will not harm the other party before moving forward. There is no indication in the application that MEA was consulted, that a joint evaluation took place, or that a "no harm" determination was made. This omission is problematic given that the project exceeds 5 MW, is situated entirely within MEA's service territory, and will directly affect shared system operations. As a result, the lack of these critical disclosures renders the filing inadequate.

B. Failure to Coordinate Within MEA's Service Territory

The application proposes to move forward with a generation project that is situated entirely within MEA's certificated service territory yet does so without any consultation or coordination with MEA. This approach prompts significant concerns related to the feasibility of interconnection, access to and responsibility for transmission costs, operational control, and dispatch authority, as well as the protection of MEA's certificated rights.

C. Insufficient Information Regarding System and Operational Impacts Within a Single Load Balancing Area

The filing does not address the impact of integrating the project into a single coordinated Load Balancing Area (LBA). As stated, MEA and Chugach operate under a tightly coordinated dispatch framework, functioning as an integrated system, and the application fails to consider critical elements previously listed. It is known and acknowledged by the RCA that these elements are complicated and require significant coordination between Chugach and MEA. Without addressing these interconnected operational and system concerns, the filing remains incomplete.

For the reasons outlined above, MEA's Protest is based on three primary deficiencies identified in the filing:

1. The application is premature and incomplete, as it does not demonstrate compliance with the Joint Development Process mandated under Section 4.2 of the Commission-approved Power Pooling Agreement. This includes the requirement to show that the proposed resource will not adversely affect the other Party prior to advancement.

2. The application has not addressed the distinct and significant impacts associated with locating a generation resource entirely within MEA’s certificated service territory, such as the lack of coordination regarding interconnection, transmission access, and operational control.

3. The application lacks sufficient information about the system-wide operational impacts within a unified Load Balancing Area, including effects on dispatch, reliability, balancing obligations, and cost allocation.

Collectively, these shortcomings impede the Commission’s ability to establish a comprehensive and accurate record and evaluate the proposed project in alignment with prudent utility practices, coordinated utility operations, and existing contractual requirements.

MEA is respectfully requesting via this Protest that the Commission reject the Boulder Creek Hydroelectric Project application until a time that Chugach and MEA can address the concerns above and jointly file an application with FERC. This will allow the project to proceed in

accordance with applicable regulatory structure outlined in the APPA, and address operational items outlined above for new generation within a single load balancing area.

VI. RESERVATION OF RIGHTS

MEA reserves all rights to supplement this filing and participate fully in this proceeding.

VII. CONCLUSION

WHEREFORE, For the foregoing reasons, Matanuska Electric Association, Inc. respectfully requests that the Commission order the following relief:

1. Grant its Motion to Intervene in this docket and allow MEA to participate fully as a party;

2. Consider, sustain, and act upon the concerns raised in this Protest, including the rejection of the application submitted by Chugach; and

3. Require a complete and adequate record before proceeding further.

Dated: April 20th, 2026

Respectfully submitted,

/s/ Nathan Greene

Nathan Greene
Sr. Manager of Energy Transformation
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163 East Industrial Way
Palmer, Alaska 99645
907-761-9396
Nathan.Greene@mea.coop

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this docket.

Dated at Palmer, Alaska this 20th day of April 2026.

/s/ Nathan Greene
Nathan Greene

UNITED STATES OF AMERICA
BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

Chugach Electric Association, Inc.
Docket No. DI26-4-000

MOTION TO INTERVENE AND PROTEST OF MATANUSKA ELECTRIC ASSOCIATION, INC.

To the Commission:

Pursuant to Rules 211, and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 385.211, and 385.214, Matanuska Electric Association, Inc. ("MEA") hereby submits this Motion to Intervene and Protest in the above Docket proceeding concerning the proposed Caribou Creek Hydropower Project.

I. COMMUNICATIONS

All communications and correspondence regarding this filing should be addressed to:

Nathan Greene Sr. Manager of Energy Transformation Matanuska Electric Association, Inc. 163 East Industrial Way Palmer, Alaska 99645 907-761-9396 Nathan.Greene@mea.coop	David Pease General Counsel Matanuska Electric Association 163 East Industrial Way Palmer, Alaska 99645 907-761-9275 david.pease@mea.coop
Julie Estey Chief Strategy Officer Matanuska Electric Association, Inc. 163 East Industrial Way Palmer, Alaska 99645 907-761-9215 julie.estey@mea.coop	Kim Henkel Chief Financial Officer Matanuska Electric Association, Inc. 163 East Industrial Way Palmer, Alaska 99645 907-761-9360 Kim.Henkel@mea.coop

II. BACKGROUND

On March 19, 2026, the Commission issued a Notice of Declaration of Intention and Soliciting Comments, Protests, and Motions to Intervene to Chugach Electric Association, Inc. ("Chugach") for the proposed Caribou Creek Hydropower Project located in the Matanuska-

Susitna Borough, Alaska. The proposed project is an approximate 18 MW storage-based hydroelectric facility designed to provide winter baseload generation through seasonal water storage. MEA is complying with the above notice by filing a protest and motion to intervene by the deadline of April 20th, 2026, 5pm Eastern Time.

III. MOTION TO INTERVENE

MEA seeks to intervene in this proceeding due to a direct, substantial, and legally protectable interest that will be affected by the outcome of this matter. MEA is a member-owned electric cooperative headquartered in Palmer, Alaska and operates under Certificate of Public Convenience and Necessity No. 18 issued by the Regulatory Commission of Alaska ("RCA"). MEA and Chugach operate adjacent service territories and, central to this Motion to Intervene, operate within a single coordinated Load Balancing Area (LBA) as required by the RCA.

The proposed Caribou Creek Hydropower Project is located within MEA's certificated service territory. Despite these requirements, Chugach did not consult with MEA prior to filing this application, and did not coordinate on contractual, interconnection, transmission, or operational matters.

These circumstances present concerns for MEA and necessitate the submission of this Motion to Intervene. MEA seeks to safeguard the integrity of its certificate for its service territory and to ensure that any new generation within this territory does not negatively affect the ongoing operation of MEA's bulk electric system generation and transmission assets, which serve MEA's members. MEA anticipated that Chugach would initiate communications prior to submitting a FERC permit application to address matters such as system impacts, integration,

transmission, standby power, capacity, and other relevant issues. However, Chugach made no such outreach, requiring MEA to intervene in this application process[1].

Additional to this Motion to Intervene, MEA is filing a Motion to Intervene on the Boulder Creek Hydropower Project, Docket DI26-3-000, which has identical circumstances and concerns to the Caribou Creek Hydropower Project application.

A. Contractual Rights and Obligations

MEA and Chugach are parties to an RCA-approved *Second Amended and Restated Operations Agreement for Power Pooling and Joint Dispatch*.[2] (APPA). Section 4.2 of that Agreement imposes a clear and mandatory obligation on the Parties:

"If a Party or Parties want to make a Generation or Transmission Resource addition, retirement, or removal, and there is not another entity in existence that provides generation or transmission planning that commits the interconnected Railbelt electric utilities to adhere to a Railbelt Generation & Transmission resource plan, then the Parties commit to developing a joint development process that assesses the merits and demonstrates no harm to any Party of any proposed Generation Resource(s) and Transmission Resource(s) action or lack of action and seek regulatory approval for any change."

Since there is currently no entity that requires the Alaska Railbelt electric utilities to follow a unified Generation & Transmission resource plan, MEA and Chugach have established a joint development process as required by section 4.2 above. This process mandates that both parties jointly evaluate any generation resource additions exceeding 5 MW, coordinate all actions through established governance mechanisms, and ensure that any proposed project demonstrates

[1] MEA is aware Chugach has filed recent FERC applications for other hydroelectric projects within Alaska. At least one of these other applications has generated a similar Motion to Intervene from the Municipality of Seward for the Godwin Creek Hydroelectric Project (Project No. 15421).

[2] Second Amended and Restated Operations Agreement for Power Pooling and Joint Dispatch (APPA), available at: https://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=6AD74C80-086B-41DC-988B-236C7D760776

"no harm" to either party before proceeding. The Caribou Creek Hydropower Project exceeds this threshold at 18 MW and is therefore subject to these requirements.

Chugach's failure to consult or coordinate with MEA prior to filing this application constitutes a clear violation of obligations outlined in Section 4.2, including the established joint development process, requiring MEA to file this motion to intervene.

B. Regulatory Precedent

The Regulatory Commission of Alaska has determined that the APPA between MEA and Chugach is binding and enforceable, as affirmed throughout RCA Order No. 12 in Docket U-22-010[3], emphasized specifically on lines 16 and 17 of page 7 of 37.

C. Direct Operational and Infrastructure Impacts

Additional to MEA's contractual interest, an immediate operational interest is also placed at risk. As the owner and operator of the distribution and transmission systems in the Caribou Creek Hydropower Project area, MEA must be integrally involved, as such a facility would need to interconnect with MEA's transmission system, adhere to MEA's interconnection requirements and system constraints, and be incorporated into MEA-controlled distribution and transmission operations. Involving MEA in the process needs to occur prior to the application filing, so that the addition of any future generation can be operationally evaluated, and a determination made if it can be accommodated by existing infrastructure, or if new infrastructure is required.

Additionally, because MEA and Chugach operate within a single Load Balancing Area (LBA), the proposed project would have direct impacts on day-ahead scheduling, and both the real-time and security constrained economic dispatch (SCED), load balancing and frequency

[3] RCA Order 12, Docket U-22-010: ORDER FINDING UNREASONABLE MANAGEMENT PRACTICE, REQUIRING CORRECTIVE ACTIONS, REQUIRING FILINGS, GIVING NOTICE, AND CLOSING DOCKET, available at: https://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=1788f4ca-f058-442d-a454-dab1ead342dc

control obligations, regulation and contingency reserve requirements, transmission loading, and congestion management.

Without Chugach's coordination with MEA, the Caribou Creek Hydroelectric Project, particularly as a storage-based hydro resource, introduces further operational challenges. These include dispatch decisions based on reservoir management rather than real-time system needs, ramping and availability constraints that require coordination with other generation resources, integration of hydro generation into existing gas-constrained winter operations and financial contractual obligations, and the need to coordinate planned and forced outages to maintain system reliability.

Dispatch scheduling and economic optimization across the pooled system, outage coordination for both planned and unplanned events, arrangements for standby, backup, and replacement power, and the settlement and cost allocation implications within pooled operations must be understood within the LBA. These elements are not discretionary and represent core operational requirements within the highly integrated system MEA currently operates and manages.

Without MEA's participation, the Commission would lack the input of the entity that owns and operates the distribution and transmission system required for interconnection, manages balancing operations within the LBA, and holds key contractual rights governing generation development and dispatch coordination. No other party represents these interests to the same extent. Therefore, MEA's involvement is essential to ensure the record is complete and accurate, to address practical operational constraints, and to protect both contractual rights and overall system reliability.

IV. BASIS FOR INTERVENTION

This Motion to Intervene is filed in a timely manner in accordance with the notice issued for this docket and proceedings.

Granting this motion is appropriate because MEA is a party directly affected by Chugach's application to construct the Caribou Creek Hydroelectric Project within MEA's service territory.

As set forth above, the proposed project will have direct and material impacts on MEA's operations and interests. MEA must be given opportunity to protect its operational interests, which will have to become a part of the Caribou Creek hydroelectric Project, while complying with existing RCA contracts. Absent coordination and cooperation by Chugach, MEA has no option but to move to intervene in this proceeding.

MEA is not aware of any other party that has such a significant interest in the Caribou Creek Hydroelectric Project or will be as impacted by this project as will MEA. MEA requests intervenor status so that it can act in the best interests of its members:

1. *The movant has a direct and substantial interest in the proceeding;*
   As described above, MEA owns and operates the distribution and transmission system in the project area, maintains service territory rights, and is a party to binding contractual obligations governing generation development and joint dispatch. The proposed project is located within MEA's service territory and will interconnect with and operate on systems managed by MEA, giving rise to direct operational, contractual, and regulatory interests in this proceeding.

2. *The movant's interest is not adequately represented by other parties;*
   No other party to this proceeding represents MEA's specific interests as the transmission owner and operator in the project area, a counterparty to the APPA, or a participant in the joint dispatch framework. As outlined above, these roles create distinct operational and contractual considerations that are unique to MEA and are not otherwise represented in the record.

3. *The movant's participation will not unduly delay or disrupt the proceeding;*
   MEA's participation is limited to protecting its operational, contractual, and regulatory interests as described above. MEA does not seek to delay proceedings and will comply

with all applicable procedural requirements and schedules established in this docket and proceedings.

V. PROTEST

In addition, MEA respectfully submits this Protest to ensure that the Commission's review fully considers the contractual, operational, and system-wide implications of the proposed project.

A. Filing Is Premature and Incomplete

The filing is premature and incomplete as it fails to demonstrate compliance with Section 4.2 of the APPA, which explicitly requires both parties to engage in a Joint Development Process, and to provide evidence that any resource additions will not harm the other party before moving forward. There is no indication in the application that MEA was consulted, that a joint evaluation took place, or that a "no harm" determination was made. This omission is problematic given that the project exceeds 5 MW, is situated entirely within MEA's service territory, and will directly affect shared system operations. As a result, the lack of these critical disclosures renders the filing inadequate.

B. Failure to Coordinate Within MEA's Service Territory

The application proposes to move forward with a generation project that is situated entirely within MEA's certificated service territory yet does so without any consultation or coordination with MEA. This approach prompts significant concerns related to the feasibility of interconnection, access to and responsibility for transmission costs, operational control, and dispatch authority, as well as the protection of MEA's certificated rights.

C. Insufficient Information Regarding System and Operational Impacts Within a Single Load Balancing Area

The filing does not address the impact of integrating the project into a single coordinated Load Balancing Area (LBA). As stated, MEA and Chugach operate under a tightly coordinated dispatch framework, functioning as an integrated system, and the application fails to consider critical elements previously listed. It is known and acknowledged by the RCA that these elements are complicated and require significant coordination between Chugach and MEA. Without addressing these interconnected operational and system concerns, the filing remains incomplete.

For the reasons outlined above, MEA's Protest is based on three primary deficiencies identified in the filing:

1. The application is premature and incomplete, as it does not demonstrate compliance with the Joint Development Process mandated under Section 4.2 of the Commission-approved Power Pooling Agreement. This includes the requirement to show that the proposed resource will not adversely affect the other Party prior to advancement.

2. The application has not addressed the distinct and significant impacts associated with locating a generation resource entirely within MEA’s certificated service territory, such as the lack of coordination regarding interconnection, transmission access, and operational control.

3. The application lacks sufficient information about the system-wide operational impacts within a unified Load Balancing Area, including effects on dispatch, reliability, balancing obligations, and cost allocation.

Collectively, these shortcomings impede the Commission’s ability to establish a comprehensive and accurate record and evaluate the proposed project in alignment with prudent utility practices, coordinated utility operations, and existing contractual requirements.

MEA is respectfully requesting via this Protest that the Commission reject the Caribou Creek Hydroelectric Project application until a time that Chugach and MEA can address the concerns above and jointly file an application with FERC. This will allow the project to proceed in

accordance with applicable regulatory structure outlined in the APPA, and address operational items outlined above for new generation within a single load balancing area.

VI. RESERVATION OF RIGHTS

MEA reserves all rights to supplement this filing and participate fully in this proceeding.

VII. CONCLUSION

WHEREFORE, For the foregoing reasons, Matanuska Electric Association, Inc. respectfully requests that the Commission order the following relief:

1. Grant its Motion to Intervene in this docket and allow MEA to participate fully as a party;

2. Consider, sustain, and act upon the concerns raised in this Protest, including the rejection of the application submitted by Chugach; and

3. Require a complete and adequate record before proceeding further.

Dated: April 20th, 2026

Respectfully submitted,

/s/ Nathan Greene

Nathan Greene
Sr. Manager of Energy Transformation
Matanuska Electric Association, Inc.
163 East Industrial Way
Palmer, Alaska 99645
907-761-9396
Nathan.Greene@mea.coop

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this docket.

Dated at Palmer, Alaska this 20th day of April 2026.

/s/ Nathan Greene
Nathan Greene

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Chugach Electric Association, Inc.	**)**	**Project No. 15421**

MOTION TO INTERVENE, COMMENTS, AND PRELIMINARY NOTICE OF INTENT TO FILE COMPETING APPLICATION OF CITY OF SEWARD ELECTRIC UTILITY DEPARTMENT

To the Commission:

Pursuant to Part 4 and Rules 212 and 214 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Regulations,[1] the City of Seward, Alaska Electric Utility Department (the "City" or "Seward") hereby submits its Motion to Intervene, Comments, and Preliminary Notice of Intent to File Competing Application to the filing submitted by Chugach Electric Association, Inc. ("Chugach") on February 6, 2026, in the above-captioned docket.[2] This particular Chugach project is more commonly known (and referred to herein) as the Godwin Creek Hydroelectric Project.[3]

In support hereof, the City states the following:

Executive Summary

Consideration of Chugach's Application for the Godwin Creek Hydroelectric Project is at its very earliest stages of Commission staff review, so much so that the Commission has yet to issue its formal notice required by the Federal Power Act ("FPA")

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1 18 C.F.R. Part 4 and §§385.212 and 385.214 (2026).

2 "Application for Preliminary Permit for the Godwin Creek Hydroelectric Project," *Chugach Electric Association, Inc.*, Project No. P-15421 (Feb. 6, 2026) (the "Chugach Application").

3 The Godwin Creek Hydroelectric Project is one of four projects identified in Chugach filings with the Commission in February 2026. *See* P-15422 (Preliminary Permit Application for Canyon Creek Hydroelectric Project), Docket No. DI26-3-000 (Declaration of Intent to develop Boulder Creek Hydropower Project) and Docket No. DI26-4-000 (Declaration of Intent to develop Caribou Creek Hydropower Project).

establishing an intervention and comment deadline, as it does in typical course of preliminary permit review.[4] The City is compelled to intervene at this early stage of the proceeding to make the Commission aware of relevant facts not contained within the Chugach Application, the most notable of which is that the City, which operates the state-certificated retail service territory in the affected area and qualifies for municipal preference pursuant to Section 7(a) of the FPA[5] for such preliminary permits, has been responsibly developing a project on Godwin Creek for several years. Chugach's Application describes its project within the Godwin Creek-Fourth of July watershed without reference to Seward's initiatives or rights. Chugach also did not explain that this particular project appears to be a variant of (or the same project as) one it proposed years ago, resulting in the Commission issuance, and then the Commission cancellation, of a preliminary permit.

The City anticipates it will file a preliminary permit application no later than April 6, 2026, in accordance with the Commission's Regulations. The City's preliminary permit application will demonstrate that the scope of the City's project falls within its certificated service territory, connects to the City's distribution system, was designed to establish considerable economic stability for the residents of Seward, and is already supported by numerous local, regional, tribal and state interests. The City's preliminary permit will also demonstrate that it qualifies for the municipal preference contemplated by the FPA. The City believes that Chugach was aware of some, if not all, of the foregoing and nonetheless submitted a preliminary permit request without reference to any of these salient facts. As a

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[4] *See* 16 U.S.C. § 798(a); 18 C.F.R. § 4.32 (2026); *see, e.g.,* "Notice of Preliminary Permit Application Accepted for Filing and Soliciting Comments, Motions to Intervene, and Competing Applications," *Renewable Energy Aggregators, Inc.*, Project No. 15411-000 (Jan. 15, 2026) (published at 91 Fed. Reg. 2532 (Jan. 21, 2026)).

[5] 16 U.S.C. § 800(a).

result, Seward's application will be a competing request to Chugach's Godwin Creek Hydroelectric Project.

The City respectfully informs the Commission of its interest in this matter.

I. MOTION TO INTERVENE

The City of Seward is a Home Rule City organized under Alaska Statutes Title 29 (*see* AS 29.04.010; AS 29.10.200) and a political subdivision incorporated as a municipal corporation under the laws of Alaska. Under AS 29.04.010, Home Rule cities have "all legislative powers not prohibited by law or charter." The power and ability to run utilities are not expressly prohibited by state law nor by Seward's charter and therefore fall under the City's general Home Rule powers. Its authority to acquire, construct, and operate utilities is reinforced by the language found in AS 29.35.070 (Public Utilities). Pursuant to its authority, the City owns and operates a vertically integrated electric utility (Seward Electric Systems) providing generation, transmission, and distribution service within its certificated territory as authorized by the Regulatory Commission of Alaska ("RCA") under AS 42.05 (RCA Certificate of Public Convenience and Necessity 108).

Seward is located at the head of Resurrection Bay on the Kenai Peninsula within the Kenai Peninsula Borough. The City's RCA-certificated service territory was issued in 1971 and includes substantial portions of the Godwin–Fourth of July watershed and lies within the traditional lands of the Qutekcak Native Tribe (Alutiiq-Unegkurmiut) people, whose cultural and subsistence ties to the region remain central to its identity. Importantly, and as set forth below in Section III, the Qutekcak Native Tribe and regional organizations that are comprised of a large portion of the tribal interests in the Kenai Peninsula Borough

have indicated support for the City's pursuit of water rights and responsible development of hydroelectric projects within the Godwin-Fourth of July watershed.[6]

The City of Seward has more than a century of experience developing and operating hydroelectric resources. Seward's original Lowell Creek hydroelectric project was commissioned in 1905 and is documented in the U.S. Department of the Interior, U.S. Geological Survey publication Water-Power Reconnaissance in South-Central Alaska Water Supply Paper 372.[7] In the 1970s, The City and Providence Hospital developed the Mount Marathon hydroelectric project (approximately 250–600 kW located on City property), which operated until the 1980s, when it was decommissioned due to its inability to compete with then-prevailing low-cost Cook Inlet natural gas resources. The Mount Marathon project is presently being refurbished and is expected to return to service in 2026 as part of the City's ongoing efforts to diversify and strengthen its local renewable generation portfolio. This history demonstrates the City's longstanding technical, operational, and institutional capability to develop and manage hydroelectric resources. Together with new engineering and legal resources, the City has been preparing to submit a preliminary permit application for Godwin Creek.

As noted above, on February 6, 2026, Chugach submitted its Application for its version of a Godwin Creek Hydroelectric Project. The City will be directly affected by the Commission's determinations with respect to that Application and has a direct and substantial interest in this proceeding. No other party can adequately represent the City's interests, and its participation in this proceeding is in the public interest. Accordingly, the

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6 *See* p. 5 and Attachment A hereto.

7 *A water-power reconnaissance in south-central Alaska, with a section on southeastern Alaska Water Supply Paper 372*, By: Clarence Eugene Ellsworth, R. W. Davenport, and John Clayton Hoyt, pp. 133-39, available at https://doi.org/10.3133/wsp372.

City respectfully requests that the Commission grant the instant motion to intervene and grant it full party status in this proceeding.

II. COMMENTS

The City believes Chugach is aware of Seward's long-standing development work and intent to submit a preliminary permit application for a City-owned and operated facility on Godwin Creek. The City's efforts have been communicated through multiple community Town Hall events beginning in September 2025, an open house at the Mount Marathon Hydroelectric Plant in December 2025, and several local radio interviews discussing Seward's broader energy future and potential hydro development. On the technical side, the City performed LIDAR modeling of the area in 2024 and performed preliminary field stream gauging at both Godwin Creek and Fourth of July Creek in August of 2025.

Indeed, the City has worked with many interested parties, each of whom has expressed support for a Seward municipally led hydroelectric project in this area. Attachment A hereto are letters obtained in the last three (3) months from several of those interested parties, including the Qutekcak Native Tribe, the Alaska Sealife Center, the Chugach Regional Resources Commission, the Seward Chamber of Commerce, and the Alaska Railroad Commission. Each of these entities endorses the City's efforts to obtain water rights and/or to develop an environmentally and culturally favorable, low impact project for the benefit of the residents and tribal interests in Seward.

Notwithstanding the foregoing, the Chugach Application makes scant reference to Seward's interest. The Chugach Application states that Seward is a "nearby town" and that 84 acres within the project boundary involve land rights held by the City.[8] On the

[8] Chugach Application at p. 4 and pp. 6-7.

maps that Chugach submitted, it notes Seward is a principal land owner of a significant portion of the interests along Godwin Creek and Fourth of July Creek where its proposed project would be located but says no more. [9]

But more concerning to the City, Chugach (in making its required representations in accordance with Section 4.32(A)) states:[10]

> **SECTION 4.32 (A) INFORMATION**
>
> 1) **Identify every person, citizen, association of citizens, domestic corporation, municipality, or state that has or intends to obtain and will maintain any proprietary right necessary to construct, operate, or maintain the Project:**
>
> At this time, Chugach Electric Association, Inc. is the only entity that intends to obtain proprietary rights necessary to construct, operate, or maintain the proposed Project.

That may be true of Chugach's contemplated "project" involving Godwin Creek and Fourth of July Creek that it has brought forward, but it is certainly not true of the overall development area within Seward's exclusive certificated service territory that Chugach knows is part of the Seward-led hydroelectric project development. Chugach's statement also fails to communicate that transportation and delivery of power (i.e. operation) from Chugach's project will require use of Seward's private transmission assets that are currently not contemplated to be part of Alaska's open access transmission framework. Chugach did not discuss the preliminary permit application with Seward prior to submission, and Seward only learned of the filing after the fact through a telephone call to Seward's general manager

The Chugach Application also does not refer to the fact that it received from the Commission (and subsequently had revoked by the Commission) a preliminary permit for

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[9] Chugach Application at p. 13.
[10] Chugach Application at p. 13.

a similar project on Godwin Creek and Fourth of July Creek. On August 29, 2014 and thereafter amended to correct deficiencies on September 10, 2014, Chugach filed a preliminary permit application, docketed as P-14630.[11] On November 24, 2014, the Commission issued a 48 month preliminary permit to Chugach for that project.[12] Subsequently, and after missing two (2) progress reports mandated by the issued preliminary permit, Director Yearick from the Division of Hydropower Licensing issued an order cancelling the Chugach's preliminary permit.[13] Chugach did not seek rehearing of the Commission's final order.

Furthermore, the City wishes to inform the Commission that its forthcoming preliminary permit application will detail the reasons Seward should be granted the municipal preference for such a hydroelectric project along the Godwin Creek and Fourth of July Creek, as set out in FPA Section 7(a). That provision states:

> **(a) Preference**
>
> In issuing preliminary permits hereunder or original licenses where no preliminary permit has been issued, the Commission shall give preference to applications therefor by States, Indian tribes, **and municipalities**, provided the plans for the same are deemed by the Commission equally well adapted, or shall within a reasonable time to be fixed by the Commission be made equally well adapted, to conserve and utilize in the public interest the water resources of the region; and as between other applicants, the Commission may give preference to the applicant the plans of which it finds and determines are best adapted to develop, conserve, and utilize in the public interest the water resources of the region, if it be satisfied as

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[11] See "Application for Preliminary Permit for the Fourth of July Creek Hydroelectric Project," *Chugach Electric Association, Inc.*, Project No. P-14630 (Aug. 29, 2014), "Letter from Jennifer Hill Chief, Northwest Branch Division of Hydropower Licensing re: Deficient Preliminary Permit Application," *Chugach Electric Association, Inc.*, Project No. P-14630 (Sept. 4, 2014); "Updated Preliminary Permit Application for the Fourth of July Creek Hydroelectric Project," *Chugach Electric Association, Inc.*, Project No. P-14630 (Sept. 9, 2014).

[12] "Order Issuing Preliminary Permit and Granting Priority to File License Application," *Chugach Electric Association, Inc.*, 149 FERC ¶ 62,125 (2014).

[13] "Order Cancelling Preliminary Permit," *Chugach Electric Association, Inc*, 153 FERC ¶ 62,204 (2015).

to the ability of the applicant to carry out such plans.[14]

The Commission is no stranger to this statutory provision in considering preliminary permits. The municipal preference is detailed in the Commission's Regulations.[15] And as explained in another preliminary permit proceeding involving interests within the State of Alaska, the Commission gave municipal preference to several of the competing applicants (while excluding another) explaining that "[i]f a municipality files an application in competition with a non-municipal entity, all else being equal, the Commission will favor the municipality."[16]

All else is equal, if not favorable to the City's interests. Chugach is a cooperative that can not avail itself of this statutory preference. Its Application disavows any such claim.[17] Thus, any contemplated race to commence the Commission's preliminary permit as a means to secure action first and to the detriment of Seward must be rejected.

III. PRELIMINARY NOTICE OF INTENT TO FILE COMPETING APPLICATION

While the deadline for submission for competing preliminary permits applications has yet to be determined through the Commission's published notice, the City hereby informs the Commission (and Chugach) that it intends to file a request for issuance of a preliminary permit with the Commission for the environmentally and culturally favorable, low-impact project it has scoped for several years. The City currently estimates that it will

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14 16 U.S.C. § 800(a)(emphasis supplied).

15 18 C.F.R. § 4.37(b)(3) (2026)("If one of two applicants is a municipality or a state, and the other is not, and the plans of the municipality or a state are at least as well adapted to develop, conserve, and utilize in the public interest the water resources of the region, the Commission will favor the municipality or state.").

16 *City of Angoon, Alaska*, 129 FERC ¶ 62,101 (2009), *reh'g denied*, 130 FERC ¶ 61,219 (2010), *citing* 18 C.F.R. § 4.37(b)(3)(2009).

17 Chugach Application at p. 5 ("Chugach Electric Association, Inc. is a member-owned, not for profit, electric cooperative in Alaska and is not claiming preference under section 7(a) of the Federal Power Act.")

file its application on or before April 6, 2026. When the published notice is issued, the City will dutifully comply with the competing application requirements within the Commission's Regulations and the notice.

IV. RESERVATION OF RIGHTS

The City may well have more to say about the Chugach Application for its Godwin Creek Hydroelectric Project. Additional relevant facts and circumstances will come to light as the City submits its competing preliminary permit application in the coming weeks, providing in greater detail its hydroelectric project specifications and the efforts it has undertaken over the last several years to develop its project. While frustrated with how this case was initiated, the City wishes to respect the Commission's typical review process and timeline and, for avoidance of doubt, seeks no immediate or injunctive action by the Commission or its staff at this time. The City respectfully reserves its rights to comment further in this proceeding once formal notice has been issued and, if granted intervenor status, to participate fully as party in this proceeding with all rights appurtenant thereto. The City also reserves the right to participate in the other Chugach proceedings initiated in February 2026 in accordance with the Commission's notices in those proceedings.

V. COMMUNICATIONS

All communications with respect to the City's participation in this proceeding should be directed to the following:[18]

Brian Hickey General Manager City of Seward PO Box 167 238 Fifth Ave Seward, AK 99664 (907) 224-4073 Brian.Hickey@mea.coop	Kody George Munson, Cacciola & Severin, LLP 1029 West Third Avenue Suite 402 Anchorage, Alaska 99501 (907) 272-8401 kgeorge@mcsalaska.com

[18] The City respectfully requests waiver of Rule 203(b) of the Commission's Regulations, 18 C.F.R. § 385.203(b)(2026), to permit more than two representatives on the official service list.

Taylor Crocker Operations Supervisor City of Seward PO Box 167 238 Fifth Ave Seward, AK 99664 (907) 224-4073 tcrocker@cityofseward.net	*Craig W. Silverstein March Counsel LLC 2001 L Street, NW Suite 500 Washington DC 20036 (202) 640-2100 Craig.silverstein@marchcounsel.com

VI. CONCLUSION

WHEREFORE, for the foregoing reasons, the City respectfully requests that the Commission order the following relief:

1. Grant its motion to intervene in this docket and allow the City to participate fully as a party;

2. Consider the comments discussed herein in reviewing the sufficiency of Chugach's Application; and

3. Grant such other and further relief as the Commission may deem just and appropriate.

Dated: March 24, 2026

Respectfully submitted,

/s/ *Craig W. Silverstein*

Craig W. Silverstein
March Counsel LLC
2001 L Street, NW
Suite 500
Washington DC 20036
(202) 640-2100
Craig.silverstein@marchcounsel.com

Kody George
Munson, Cacciola & Severin, LLP
1029 West Third Avenue
Suite 402
Anchorage, Alaska 99501
(907) 272-8401
kgeorge@mcsalaska.com

On Behalf of the City of Seward, Alaska Electric Utility Department

ATTACHMENT A

"Changing with the tides in harmony with
Our people, land and heritage."

QUTEKCAK NATIVE TRIBE

221 Third Ave

Seward, Alaska 99664

Date: 12/15/2025

To Whom It May Concern,

On behalf of the Qutekcak Native Tribe, we are pleased to offer this letter of support for the City of Seward Electric Department's application to acquire water rights for the planned run-of-the-river hydroelectric developments on Godwin Creek and Fourth of July Creek.

The Qutekcak Native Tribe has a long-standing commitment to the stewardship of our ancestral lands and waters and to initiatives that balance responsible development with cultural, environmental, and community well-being. We recognize that securing water rights is a critical first step toward advancing these proposed hydroelectric projects, which have the potential to strengthen Seward's long-term energy resilience, reduce reliance on fossil fuels, and support a cleaner, more sustainable energy future for our shared community.

We appreciate the City of Seward Electric Department's expressed commitment to developing these projects in a manner that respects natural systems and aligns with shared principles of sustainability and responsible resource management. Of particular importance to our Tribe is the openness to collaboration with fisheries experts and Tribal stakeholders to explore opportunities for habitat enhancement and cultural stewardship, including considerations related to King Salmon (Luq'a) and long-term ecosystem health in the project areas.

The Qutekcak Native Tribe values partnerships that are built on transparency, mutual respect, and meaningful consultation. We view this effort as an opportunity for continued dialogue and collaboration to ensure that any future development reflects both community energy needs and the protection of the lands and waters that sustain our people culturally, spiritually, and economically.

"Changing with the tides in harmony with
Our people, land and heritage."

For these reasons, the Qutekcak Native Tribe supports the City of Seward Electric Department's application for water rights associated with the proposed hydroelectric projects on Godwin Creek and Fourth of July Creek. We believe this project represents a positive step toward locally controlled, sustainable energy solutions that can benefit present and future generations.

Thank you for the opportunity to provide this letter of support. We look forward to continued collaboration as this project advances.

Very Respectfully,

Dolly Wiles
Tribal Administrator
Qutekcak Native Tribe

December 18, 2025

Taylor Crocker
Operations Manager
Electric Department
City of Seward
Seward, Alaska

Dear Mr. Crocker,

Re: Letter of Support for Water Rights Applications – Godwin Creek and Fourth of July Creek

The Alaska SeaLife Center is pleased to provide this letter in support of the Seward Electric Department's applications for water rights on Godwin Creek and Fourth of July Creek. Securing these water rights is a necessary and early step in the development of additional run-of-the-river hydroelectric projects that will provide long-term benefits to the Seward community.

The Alaska SeaLife Center will soon benefit from the clean, renewable energy generated by the Marathon Hydro Plant upon its completion. The proposed Godwin Creek and Fourth of July Creek projects would further enhance Seward's renewable energy capacity, creating the opportunity for a fully carbon-free electric system while also helping to stabilize and reduce energy costs for both residential customers and local organizations.

These projects align strongly with Seward's commitment to sustainability and environmental stewardship. A carbon-free electric supply directly supports the Alaska SeaLife Center's mission in marine research, conservation, and education, and contributes to the community's long-term resilience.

The Alaska SeaLife Center fully supports the Seward Electric Department's efforts to secure water rights for these projects and encourages favorable consideration of the applications.

Sincerely,

Brad A. Ryan, Ph.D.
Executive Vice President
Alaska SeaLife Center

CHUGACH REGIONAL RESOURCES COMMISSION

Alutiiq Pride

City of Seward
Electric Department
PO Box 167
Seward, Alaska 99664

12/29/2025

To: Taylor Crocker (Electric Operations Manager)

RE: Support for Water Rights Application for Godwin Creek and Fourth of July Creek

The Chugach Regional Resources Commission (CRRC) enthusiastically supports the application for water rights to Godwin and Fourth of July Creek as a pivotal step toward energy security and reduced energy costs for the greater Seward area.

CRRC is an inter-Tribal fish and wildlife commission, organized as a state and federal nonprofit, authorized as a Tribal consortium. We provide natural resource management services to seven Alaska Native villages in southcentral Alaska. Additionally, CRRC owns and operates the Alutiiq Pride Marine Institute (APMI) in Seward. APMI holds several distinctions, including being the only mariculture technical center and shellfish hatchery in Alaska. It is home to multiple dry and wet labs, a pilot kelp farm program, and a newly completed molecular laboratory. Our work at APMI is crucial for supporting species that are vital to our member Tribes and to Alaska's burgeoning mariculture industry.

As a small, remote town with limited infrastructure, we have few choices for power and fuel sources. Our nonprofit organization is significantly affected by the high costs of electricity and fuel oil for daily operations. As a tribal shellfish hatchery, we heavily depend on heating our facility for algae production and heating seawater for rearing shellfish and oyster larvae. A hydroelectric project in the Seward area would enable our Alutiiq Pride Marine Institute to transition from fuel oil-burning furnaces to industrial heat pumps.

The Seward Electric Department has made great strides in protecting the City of Seward from significant power outages. Efforts such as clearing power lines and routine maintenance have resulted in less downtime and reduced generator usage for consumers. Implementing a hydropower system will further enhance this objective, minimizing downtime and decreasing the need for emergency diesel backup generators.

This project aligns with CRRC's goal of becoming carbon neutral by leveraging the constant flow of Godwin and Fourth of July Creek without disturbing critical fish habitats. We wholeheartedly support these efforts to obtain water rights and develop future infrastructure that will make low-impact hydropower a reality in the Seward area.

Sincerely,

Willow Hetrick-Price

Willow Hetrick-Price
Executive Director
willow@crrcalaska.org

Seward CHAMBER

LETTER OF SUPPORT

To Whom It May Concern,

On behalf of the Seward Chamber of Commerce and Visitor Bureau, I am pleased to offer this letter of support for the Seward Electric Department as it pursues water rights for the Godwin Creek and Fourth of July Creek hydroelectric projects.
As the organization representing Seward's business community and serving as the community's designated destination marketing and visitor services organization, the Chamber strongly supports initiatives that strengthen long-term economic stability, improve quality of life for residents, and enhance Seward's position as a sustainable and forward-thinking community.

The proposed run-of-the-river hydroelectric projects represent an important investment in Seward's future. Access to reliable, locally generated renewable energy has the potential to help stabilize and reduce power costs for both businesses and households, support workforce and business retention, and improve the overall competitiveness of our local economy. These benefits are especially important for a community like Seward, where energy costs directly impact small businesses, tourism operators, and year-round residents alike.

The Seward Chamber of Commerce and Visitor Bureau supports the Seward Electric Department's efforts to secure the necessary water rights to move these projects forward. We appreciate the opportunity to demonstrate the business community's alignment with this important step toward a more resilient and sustainable energy future for Seward.

Sincerely,

Amanda Sweeting
Executive Director

ALASKA
RAILROAD

December 22, 2025

Real Estate Department
TEL 907.265.2428

To Whom It May Concern,

I am writing to express the Alaska Railroad Corporation's (ARRC) support for the City of Seward Electric Department's application for water rights concerning the Godwin Creek and Fourth of July Creek sites in Seward, Alaska.

The pursuit of these water rights is a critical milestone in the efforts to develop run-of-the-river hydroelectric projects that promise reliable, renewable energy for the Seward community. By harnessing the natural resources at these sites, the aim is to significantly diminish reliance on fossil fuels, reduce costs for both residential and commercial customers, and enhance the overall energy resilience in the region.

As a principal stakeholder in Alaska's and Seward's economic and transportation landscape, ARRC recognizes the potential benefits that come with increased grid reliability and cleaner energy sources. We own and operate a major 423-acre railroad reserve in Seward that includes facilities such as a train depot, three large docks (freight, cruise and energy) and cruise ship terminal. Our lease holders and tenants also operate major marine industries in the industrial and tourism sectors.

ARRC, supported by agreements with anchor tenant Royal Caribbean Group, is currently replacing its Cruise Ship Dock and Terminal with a $137 million new facility that will be completed spring of 2026. As an additional component of this project, the City of Seward, in partnership with ARRC and dock developer The Seward Company, is installing shore power capable berths made possible by a $50 million EPA grant. The Port of Seward Vessel Shore Power Implementation Project will enable two cruise ships to be powered while docked. This initiative aims to significantly reduce air pollutants and greenhouse gases emitted by docked cruise ships by installing shore power equipment and a Battery Energy Storage System.

Seward's pursuit of securing the water rights with Godwin and Fourth of July Creek sites will not only stabilize electric rates in the long term but also align with our joint aspirations for a carbon-free electric community in Seward. This endeavor complements statewide and industry efforts focused on sustainability, emissions reduction, and building resilient infrastructures.

Thank you for considering Seward's request. Please do not hesitate to contact me should you wish to discuss this matter in more detail.

Sincerely,

Christy Terry
Vice President, Real Estate

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this docket. Dated at Washington, D.C., this 24th day of March, 2026.

/s/ Craig W. Silverstein
Craig W. Silverstein

Legislative Update

Advocate for legislation and public policy that aligns with Chugach's core values and serves in the best interests of our members.

Operations Committee Meeting
May 6, 2026

Governor's Net Metering Bill

CS HB 164 - Net Metering
CS adopted in House Energy

Referred to House Finance

- Amendment creates two sunset dates, requiring dual utility net metering programs
  - 2037 - 10 years after enactment
  - 2044 - a second one 7 years later to include newer net metering customers
- A 2% increase in rate for non-net metering customers can result in RCA action; the increase would not include increases in the Cost of Power Adjustment (fuel)
- Maintains the net metering reimbursement fund (which would require appropriation by the legislature)

Governor's Net Metering Bill

CS SB 150 - Net Metering

CS adopted in Senate Labor & Commerce

- Excess energy credited at wholesale rate
- Accrue for up to 12 months
- Create alternative rate structure
- Prohibits undue discrimination
- May not shift costs
- No net metering reimbursement fund

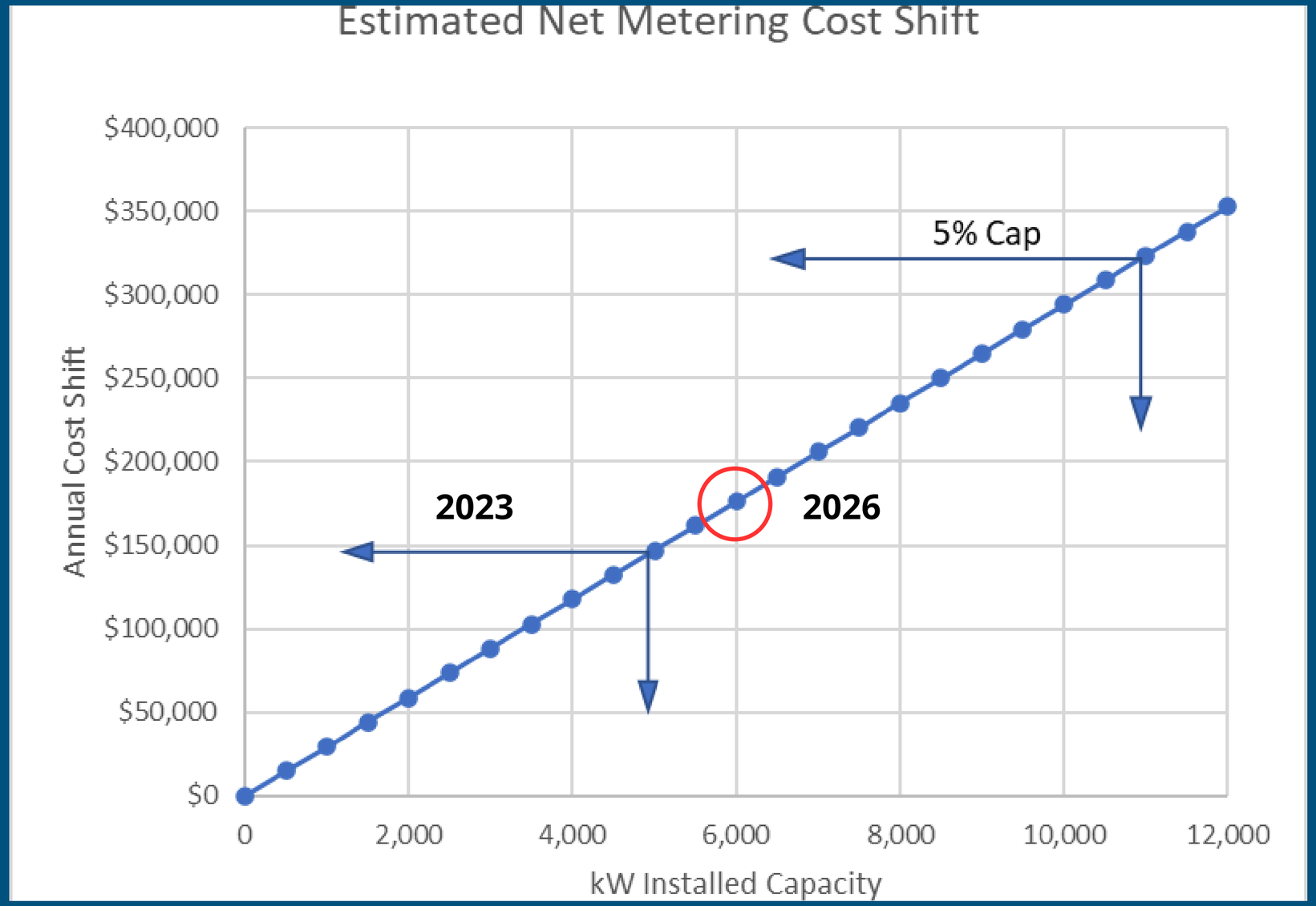
- Creating new rate classes avoids cost-shifting; necessitates quantifying the value of banked energy
- Greater benefit for net-metering members with large arrays vs. small arrays
- Suggestions include defining "average wholesale power cost", March true-up, alternate rate classes
- Evaluating impacts compared to current net metering program

National Trend in Net Metering

- Export credit value is declining across all markets
- Full retail net metering now limited to 12 states; others credit below retail rate
- Under full retail net metering structures, customers with distributed energy systems effectively shift fixed grid costs to customers without such systems

- Examples of reform:
  - California: export credits average $0.05-$0.08/kWh, far below retail rate
  - Vermont: Reduced retail credit component for 7 consecutive years
  - Rhode Island: Reduced credits to ~80% of retail in 2023
  - Pennsylvania: Proposing hourly wholesale credits; could cut value by 60-80%
  - Connecticut: Added a $0.0402/kWh solar energy adjustment for new interconnections

CROSS-SUBSIDIZATION LEVEL



CURRENT SUBSIDIZATION

~$175,000/YEAR

EST. RESIDENTIAL BILL IMPACT

$0.08-$0.10/MO

SUBSIDIZATION AT 5% CAP

~$320,000/YEAR

EST. RESIDENTIAL BILL IMPACT

$0.15-$0.17/MO

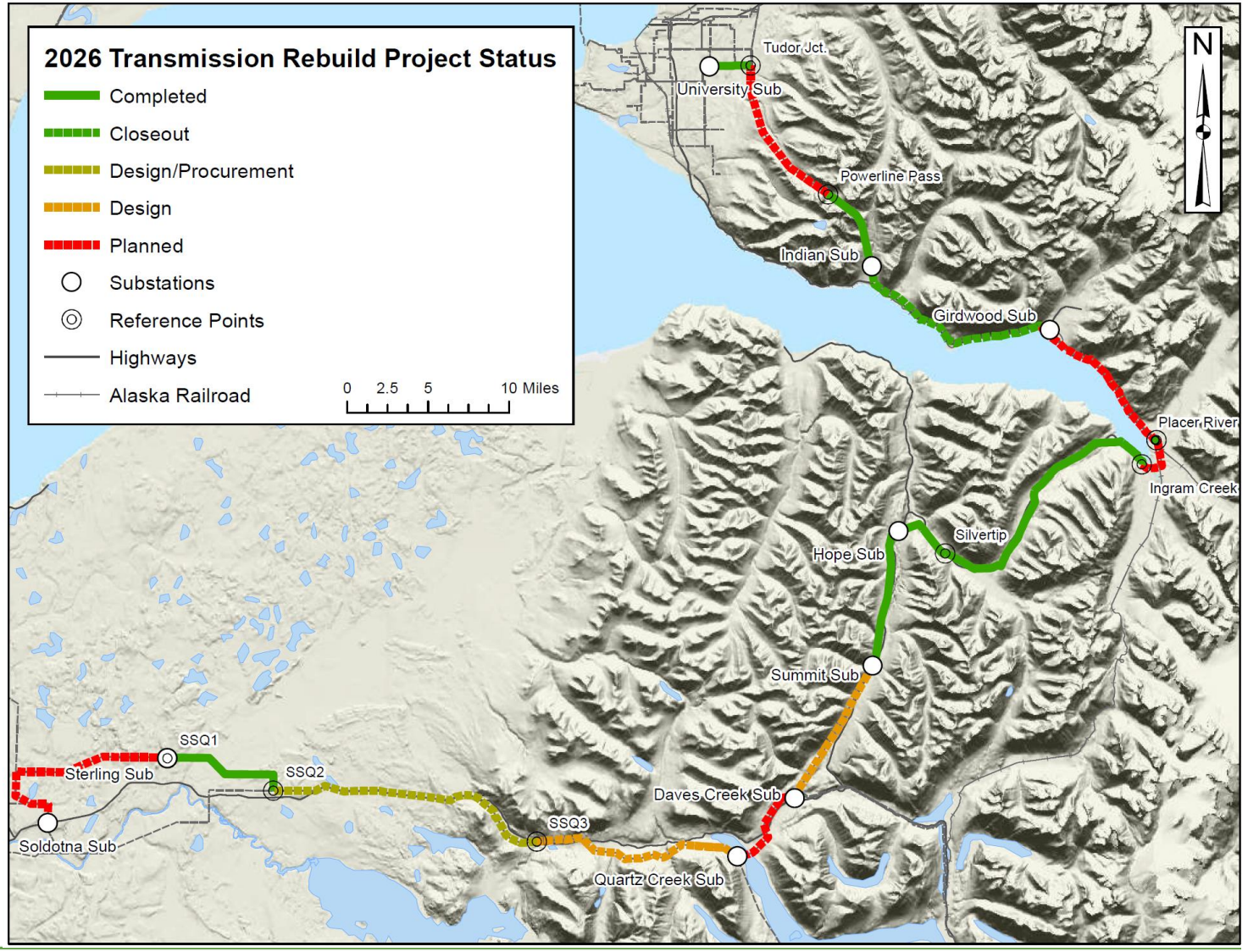
University to Soldotna Line Losses

Operations Committee Meeting
May 6, 2026

CHUGACH
POWERING ALASKA'S FUTURE

Soldotna to University Transmission Line

- Quartz Creek to University was build in 1962 to interconnect Cooper Lake Hydro to Anchorage
- Soldotna to Quartz was built later
- Originally built to 115 kV standards with 556 ACSR Dove conductor
- Reaching the end of its useful life
- One of the single most impactful contingencies on the Railbelt
- Experiences higher empirical losses than other transmission lines



CHUGACH
POWERING ALASKA'S FUTURE

Soldotna to University Rebuild Schedule

Completed Rebuilds	Ownership	Approx. Miles	Status	Year
Ingram to Silvertip	Chugach	15	Complete	2012
Powerline Pass	Chugach	6	Complete	2016
Silvertip to Hope Sub	Chugach	4	Complete	2017
Hope Sub to Summit Sub	Chugach	9	Complete	2018
Placer River	Chugach	1	Complete	2020
Girdwood Sub to Indian	Chugach	12	Closeout	2026
SSQ Project 1	AEA	8	Complete	2025
Completed Subtotal		**55**		
Future Rebuilds	**Ownership**	**Approx. Miles**	**Status**	**Year**
SSQ Project 2	AEA	18	Des./Proc.	2027
Summit Sub to Daves Creek Sub	Chugach	10	Design	2027
SSQ Project 3	AEA	13	Design	2028
Tudor Junction to Powerline Pass	Chugach	11	Planned	2028
Soldotna Sub to Sterling Sub (AEA Funded)	HEA	12	Planned	2029
Daves Creek Sub to Quartz Creek Sub	Chugach	7	Planned	2029
Girdwood Sub to Ingram Creek	Chugach	15	Planned	2030
Planned Subtotal		**86**		
Total		***141***		

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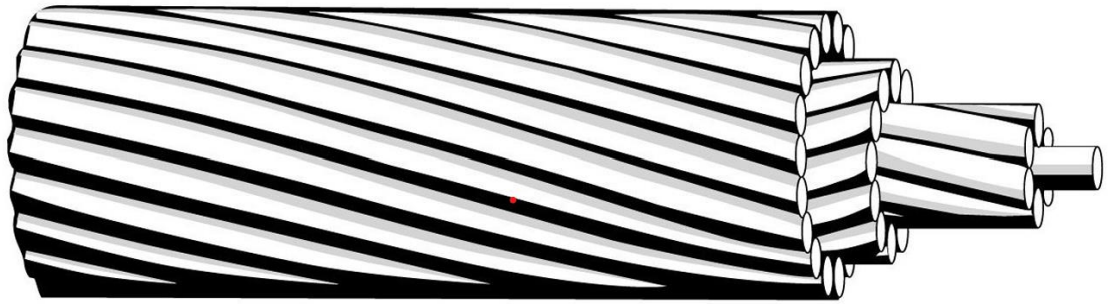
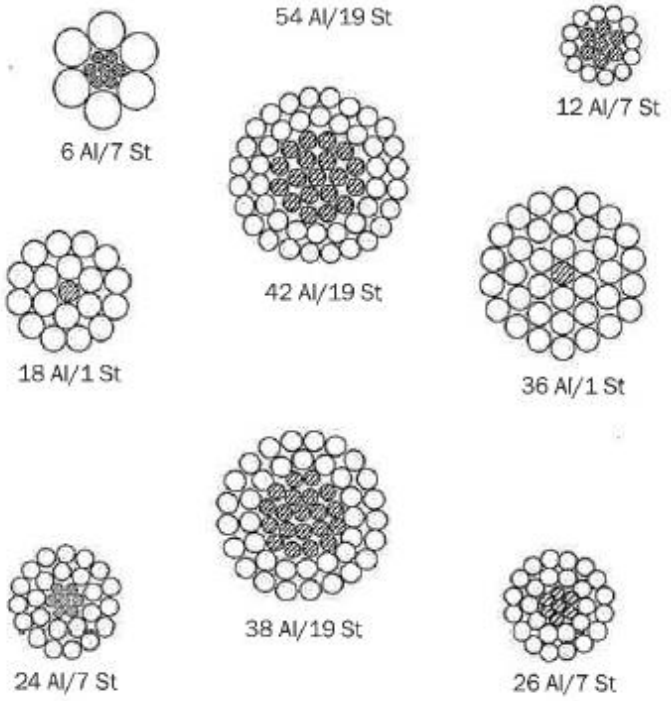
Aluminum Conductor Steel Reinforced (ACSR)

Code Word	Size	Stranding	Cross Section	Diameter	Weight	RBS	Resistance	Ampacity
	kcmil	*Al/St*	*in^2*	*in*	*Lb/1,000 ft*	*Lb*	*Ω/mi @50C*	*A*
Dove	556.5	26/7	0.5083	0.927	765.2	22,600	***0.1817***	*725*
Drake	795.0	26/7	0.7263	1.108	1093.4	31,500	***0.1278***	*907*





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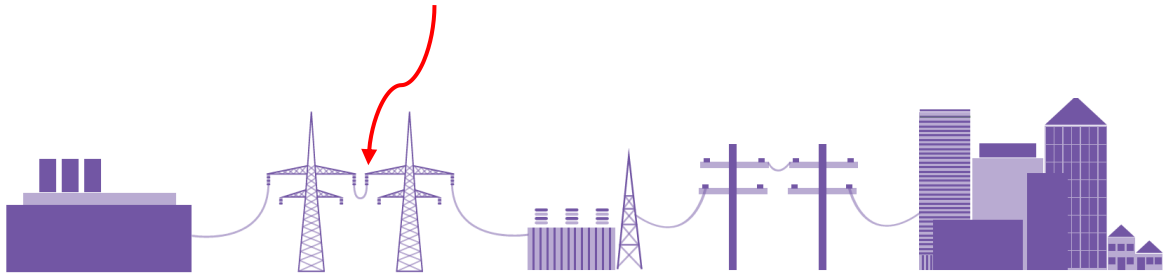
Transmission Line Losses

Transmission line losses a function of the material properties of a conductor. The primary factors are:

- Resistance of the material
- Skin effect
- Temperature
- Length of the line

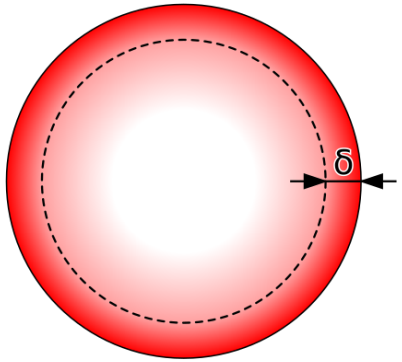
This does not include station losses, only the heating losses in the transmission lines



$$P = i^2 r \ [W]$$

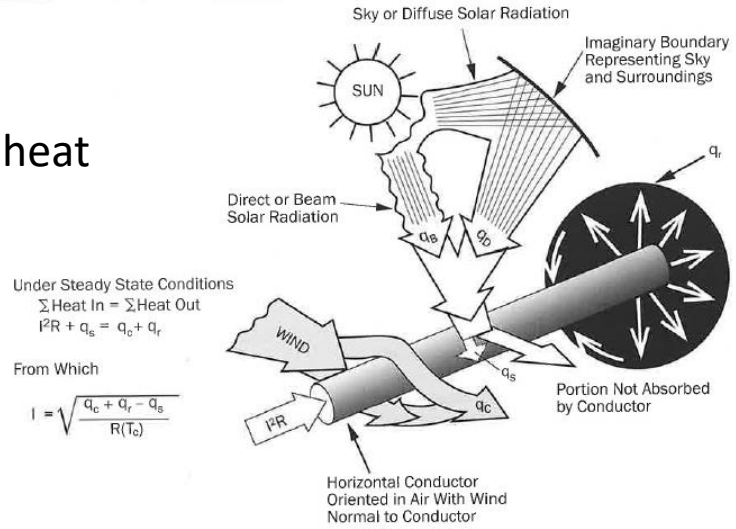
Power equation:

- Measured in Watts
- Decrease of *r* results in a linear decrease in *P*
- Decrease in *i* results in an exponential decrease in *P*



The skin effect causes the current density not be uniform throughout the conductor

Losses are turned into heat



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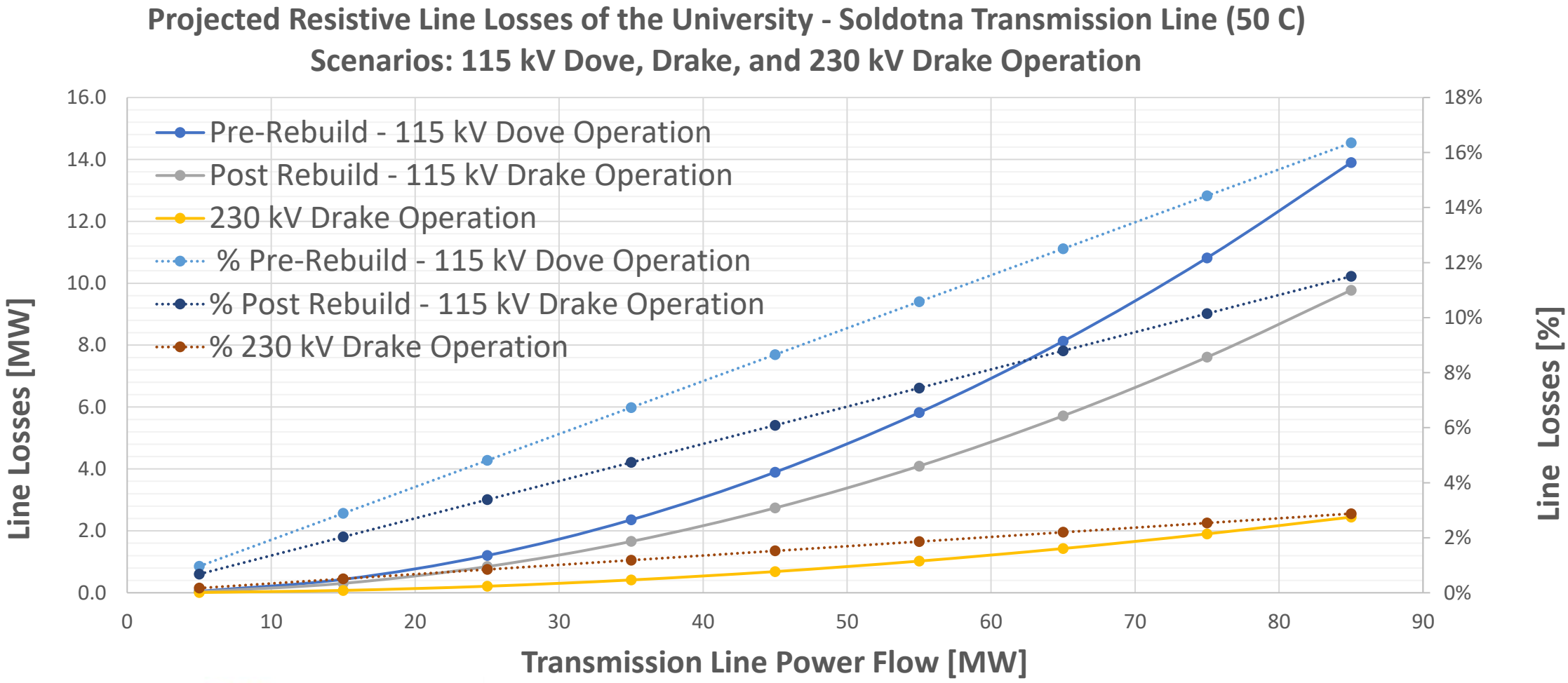
Calculated Losses



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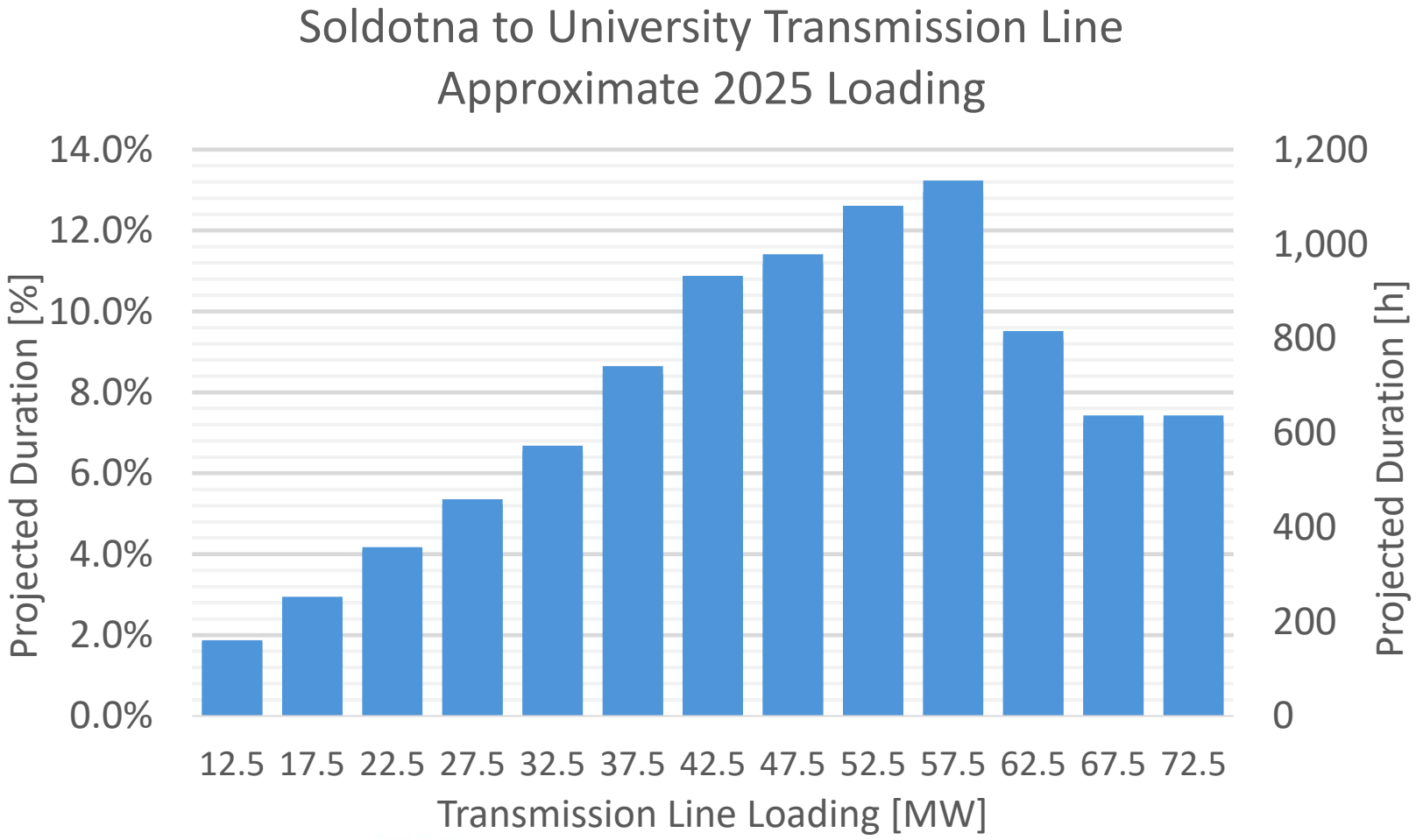
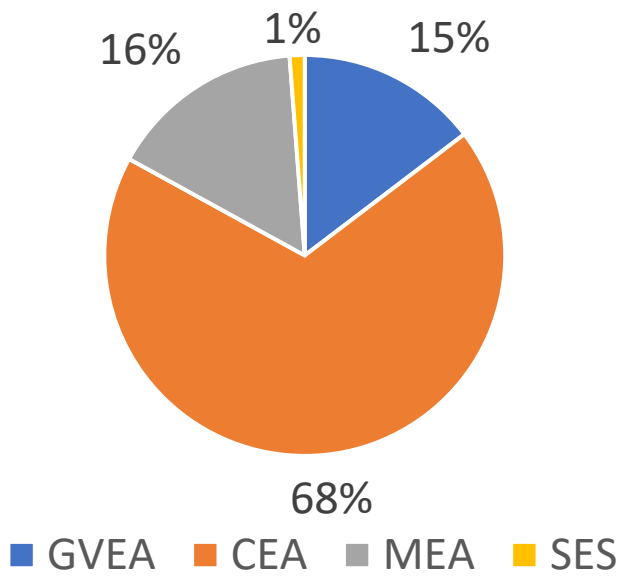
Perspective Transmission Line Loading



- Loading estimated based off 2025 without scheduled outages
- Loading includes Bradley Lake energy for MEA, SES, and GVEA



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Estimated Value of Losses

Projected Annual Losses			
Based on 2025 Operation	**MWh**	**%**	**Annual Value of Losses***
115 kV Dove Operation	42,959	10%	$3.7M
115 kV Drake Operation	30,216	7%	$2.6M
230 kV Drake Operation	7,554	2%	$0.6M
Projected Annual Losses at -10%			
115 kV Dove Operation	34,797	9%	$3.0M
115 kV Drake Operation	24,475	6%	$2.1M
230 kV Drake Operation	6,119	2%	$0.5M
Levelized Dixon at 165,000 MWh Annual Increase in Production			
115 kV Dove Operation	79,496	14%	$6.8M
115 kV Drake Operation	55,914	10%	$4.8M
230 kV Drake Operation	13,979	2%	$1.2M

*Losses valued at each utilities avoided cost rate

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Value of Losses at Avoided Cost – Current Operations

50-year present value of transmission line losses priced at avoided cost.

Estimated Value of Losses

Scenario	Chugach (SES)	MEA	GVEA	PV of Losses	Incremental Savings
115 kV Dove Operation (Current Operations)	$46.4M	$17.5M	$38.3M	**$102.1M**	Baseline
115 kV Drake Operation	$32.6M	$12.3M	$26.9M	**$71.8M**	**$30.3M**
230 kV Drake Operation	$8.2M	$3.1M	$6.7M	**$18.0M**	**$53.9M**

Note: “PV of Losses” is the value of losses at avoided cost

Key Takeaways

Incremental Savings

$30.3M 115 kV Drake vs. Current Operations

$53.9M 230 kV Drake vs. 115 kV Drake

Takeaways: Incremental savings between operating alternatives.

- 115 kV Dove reflects current operations.
- Replacing Dove with Drake lowers the present value of losses by approximately $30.3 million.
- Operating at 230 kV provides an additional approximately $53.9 million of savings for the Railbelt relative to 115 kV Drake.

Source: Based on 2025 Operations

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Value of Losses at Avoided Cost – 10% Reduction

50-year present value of transmission line losses priced at avoided cost.

Estimated Present Value of Losses

Scenario	Chugach (SES)	MEA	GVEA	PV of Losses	Incremental Savings
115 kV Dove Operation (Current)	$37.6M	$14.2M	$31.0M	**$82.7M**	Baseline
115 kV Drake Operation	$26.4M	$10.0M	$21.8M	**$58.2M**	**$24.5M**
230 kV Drake Operation	$6.6M	$2.5M	$5.5M	**$14.5M**	**$43.6M**

Note: “PV of Losses” is the value of losses at avoided cost.

Key Takeaways

Incremental Savings

$24.5M 115 kV Drake vs. Current Operations

$43.6M 230 kV Drake vs. 115 kV Drake

Takeaways: Incremental savings between operating alternatives.

- 115 kV Dove reflects current operations plus 10 percent reduction in energy.
- Replacing Dove with Drake lowers the present value of losses by approximately $24.5 million.
- Operating at 230 kV provides an additional approximately $43.6 million of savings for the Railbelt relative to 115 kV Drake.

Source: Based on 2025 Operations

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Value of Losses at Avoided Cost – (Dixon)

50-year present value of transmission line losses priced at avoided cost.

Estimated Value of Losses

Scenario	Chugach (SES)	MEA	GVEA	PV of Losses	Incremental Savings
115 kV Dove Operation (Current)	$85.8M	$32.3M	$70.8M	**$189.0M**	Baseline
115 kV Drake Operation	$60.4M	$22.8M	$49.8M	**$132.9M**	**$56.1M**
230 kV Drake Operation	$15.1M	$5.7M	$12.5M	**$33.2M**	**$99.7M**

Note: “PV of Losses” is the value of losses at avoided cost.

Key Takeaways

Incremental Savings

$56.1M 115 kV Drake vs. Current Operations

$99.7M 230 kV Drake vs. 115 kV Drake

Takeaways: Incremental savings between operating alternatives.

- 115 kV Dove reflects current operations plus Dixon Diversion.
- Replacing Dove with Drake lowers the present value of losses by approximately $56.1 million.
- Operating at 230 kV provides an additional approximately $99.7 million of savings for the Railbelt relative to 115 kV Drake.

Source: Based on 2025 Operations

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Rebuild Costs To-Date and Forecasted

Completed Rebuilds		Cost
Ingram to Silvertip*	$	13,571,800
Powerline Pass	$	5,965,231
Silvertip to Hope Sub	$	3,693,231
Hope Sub to Summit Sub	$	9,029,457
Placer River*	$	847,252
Girdwood Sub to Indian	$	32,000,000
Completed Subtotal	**$**	**65,106,971**

*Reimbursed

Future Rebuilds		Estimated Cost
Summit Sub to Daves Creek Sub	$	20,000,000
Tudor Junction to Powerline Pass*	$	22,000,000
Daves Creek Sub to Quartz Creek Sub	$	17,500,000
Girdwood Sub to Ingram Creek	$	37,500,000
Future Rebuilds Subtotal	**$**	**97,000,000**

*Grant Application in Progress

Estimated Cost at Completion	***$***	***162,106,971***

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Key Takeaways

- The existing transmission line needs to be rebuilt; other operational benefits will be gained.
  - Higher structures with additional clearance
  - Stronger materials/robust design standards
  - Avalanche/rockslide mitigation
  - Right-of-Way access challenges
- Replacing the conductor with a lower resistance conductor decreases the resistance and lowers the losses.
- Rebuilding the line to Drake results in estimated net savings
  - Incremental cost of rebuilding lines is *approximately* $23.5 million (17% incremental cost)
  - Line loss reduction savings of $30.3 million
  - Net savings: estimated $6.8 million

Questions?

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Transmission Line Rebuild: Daves Creek Substation to Summit Lake Substation

Operations Committee Meeting
May 6, 2026

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Transmission Line Rebuild: Summit Lake Substation to Daves Creek Substation

Introduction

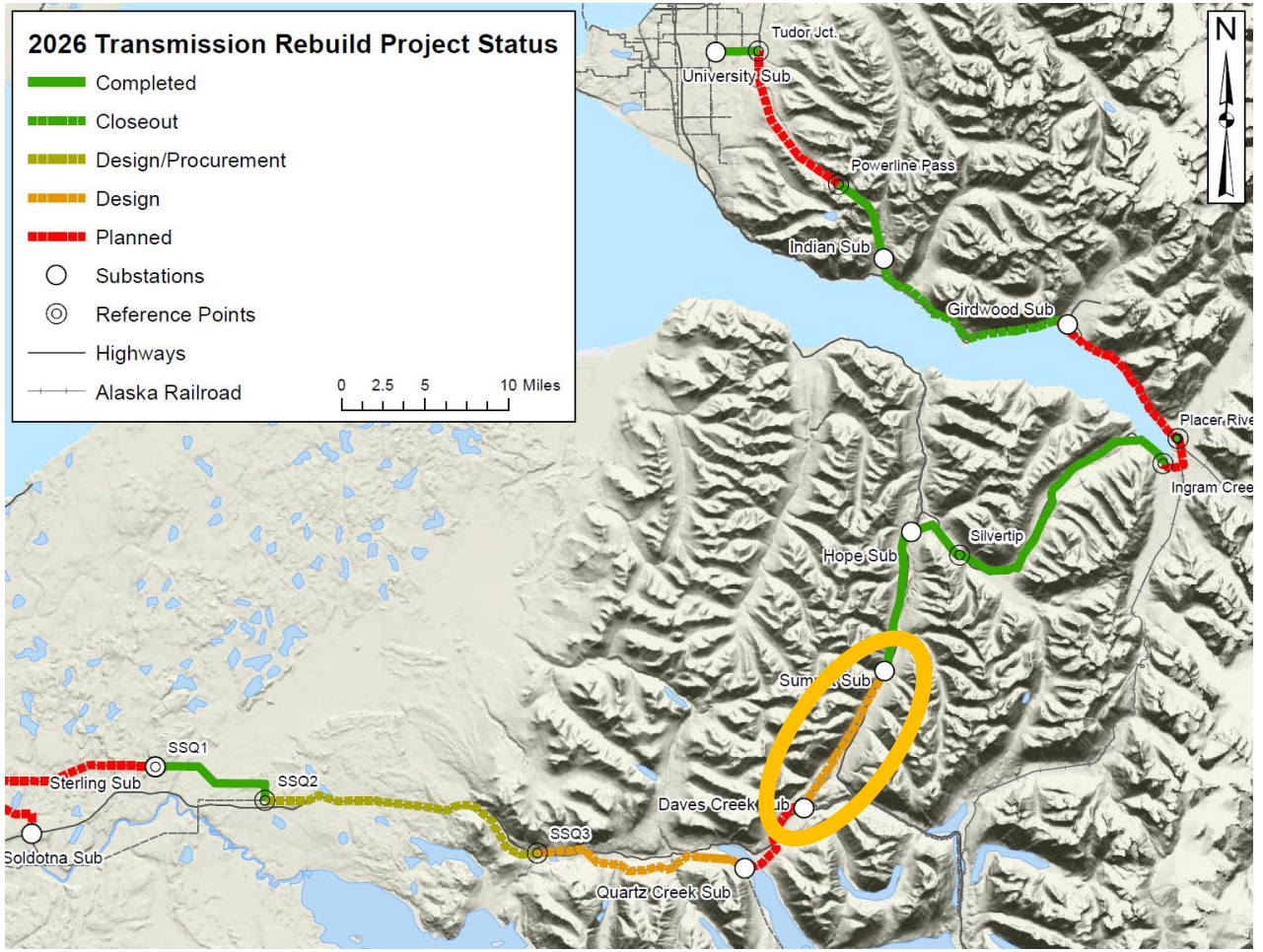
- Requesting project authorization

Project Description

- Programmatic rebuild of the 115 kV transmission line between University and Quartz Creek Substations

Project Scope

- Retire approximately 10 miles of transmission line
- Install new: conductor, fiber optic cable, structures, guys, anchors and foundations
- Designed to 230 kV standards



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Quartz Creek T-Line Rebuild – Schedule

Completed Rebuilds	Approximate Miles	Year
Ingram to Silvertip	15	2012
Powerline Pass	6	2016
Silvertip to Hope Substation	4	2017
Hope Substation to Summit Substation	9	2018
Placer River	1	2020
Girdwood Substation to Indian	12	2026
Completed Subtotal	**47**	
Future Rebuilds	**Approximate Miles**	**Year**
Summit Lake Substation to Daves Creek Substation	10	2027
Tudor Junction to Powerline Pass	11	2028
Daves Creek Substation to Quartz Creek Substation	7	2029
Girdwood Substation to Ingram Creek	15	2030
Planned Subtotal	**43**	
Total	***90***	

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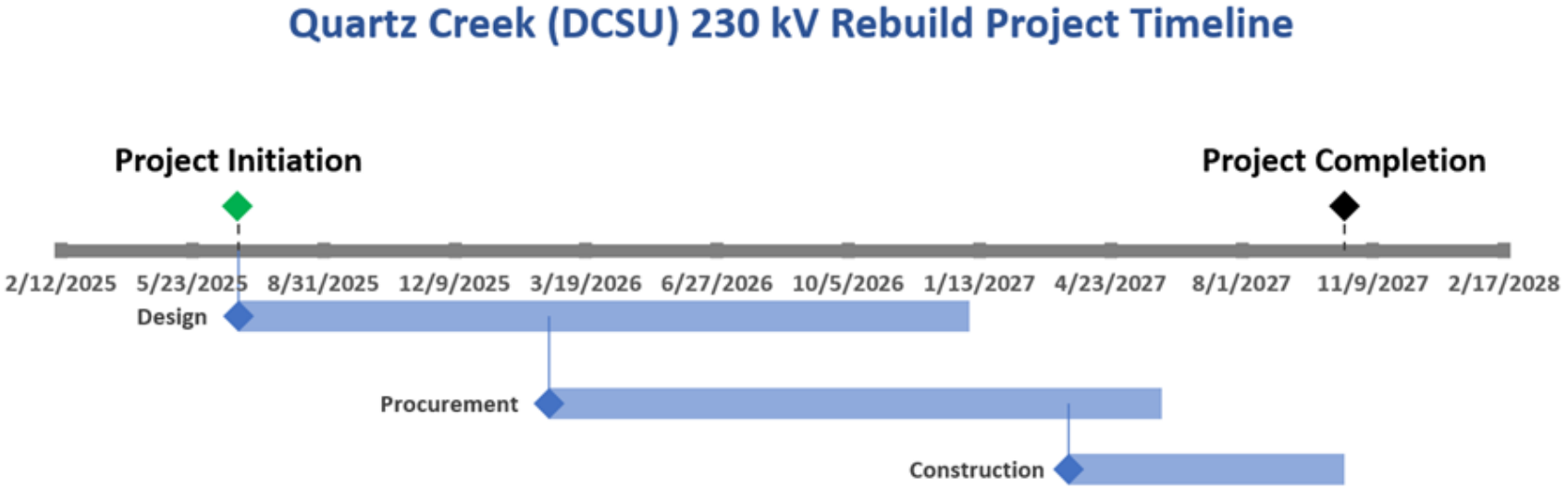
DCSU Schedule and Cost

Project Authorization

- Estimated cost: $20.0 M
- Scheduled to be completed by end of 2027



Category	Cost to Date	Forecast to Complete	Budget
Labor and Professional Services	$0.8 MM	$2.6 MM	$3.4 MM
Materials	$0.0 MM	$7.0 MM	$7.0 MM
Construction	$0.2 MM	$9.4 MM	$9.6 MM
Total	***$1.0 MM***	***$19.0 MM***	***$20.0 MM***

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CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

May 6, 2026

ACTION REQUIRED **AGENDA ITEM NO. V. E.**

____ **Information Only**
_X_ **Motion**
____ **Resolution**
____ **Executive Session**
____ **Other**

TOPIC

Project Authorization: Daves Creek to Summit Lake Transmission Line Rebuild

DISCUSSION

The Quartz Creek Transmission Line is operated at 115 kV between the University Substation in Anchorage and the Quartz Creek Substation in Cooper Landing (Kenai Peninsula). The 90-mile line was originally installed in 1962 to export energy from the Cooper Lake Hydroelectric Project on the Kenai Peninsula to the Anchorage area. Sections of the line are over 50 years old and are nearing the end of their useful life.

Chugach Electric Association, Inc. (Chugach) has been rebuilding this transmission line since 2012 through which it has developed a consistent Basis of Design for the line. To date, approximately 47 miles of the line have been rebuilt. The following summarizes the current status and remaining schedule for the transmission line rebuild:

Completed Rebuilds	Approximate Miles	Year
Ingram to Silvertip	15	2012
Powerline Pass	6	2016
Silvertip to Hope Substation	4	2017
Hope Substation to Summit Substation	9	2018
Placer River	1	2020
Girdwood Substation to Indian	12	2026
Completed Subtotal	**47**	
Future Rebuilds	**Approximate Miles**	**Year**
Daves Creek Substation to Summit Substation	10	2027
Tudor Junction to Powerline Pass	11	2028
Daves Creek Substation to Quartz Creek Substation	7	2029

Girdwood Substation to Ingram Creek	15	2030
Planned Subtotal	**43**	
Total	***90***	

This project will replace the existing wooden H-frame structures with new steel and wood pole structures, upgrade the 115 kV insulation and clearances to 230 kV standards, install fiber optic cable, and retire the existing transmission line.

The project is included in Chugach's 2026–2030 Capital Improvements Program. The current budget and forecast are shown in the table below. Due to schedule adjustments on the Soldotna–Quartz Creek transmission line segments, the Soldotna–Sterling segment was deferred, and this project was advanced in the schedule to maintain momentum on system upgrade efforts between Soldotna and Anchorage. The Total Installed Cost is estimated at $20.0 M.

Quartz Creek 115kV T-Line Rebuild - DCSU Budget ID 10.0364

Year	Prior	2026	2027	2028
2026 CIP	$ 7,469,769	$ 12,200,000	$ 7,000,000	$ 11,700,000
DCSU Spend	$ 1,000,000	$ 2,200,000	$ 16,800,000	$ -

*2026 CIP Includes remaining Quartz Creek GWID Costs

MOTION

Move that the Operations Committee recommends that the Chugach Electric Association, Inc. Board of Directors authorize the Chief Executive Officer to undertake procurement, construction, and installation of the Daves Creek to Summit Lake Substation transmission line rebuild project, at a total installed cost of $20.0 M, with an anticipated completion date of Fall 2027.

McMillen Task Order Contract Approval

Operations Committee Meeting

May 6, 2026

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Hydro Program Update – McMillen T/O Contract

McMillen supports Chugach Electric for CapEx and O&M Expense projects.

- Regulatory
- Dam Safety
- Engineering
- Construction Management

- Current Total Contract Not to Exceed: $1.91 MM
- Asking for Contract Not to Exceed:
- $5.26 MM
- All tasks are included in approved 2026 Operating and Capital Budget

COOPER LAKE SIPHON
S.D.C. & C.M. $577,000

EKLUTNA FISH & WILDLIFE IMPLEMENTATION
$1,372,000

HYDRO DECARB PROGRAM
$3,130,000

COMPLIANCE – COOPER LAKE REGULATORY & DAM SAFETY $181,000

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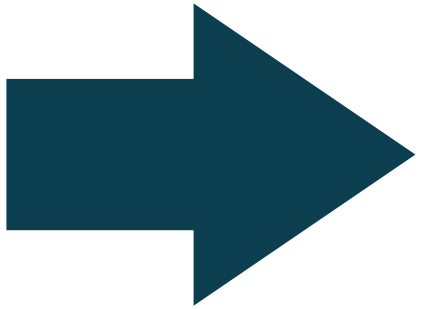
McMillen T/O Contract 2026 Hydro Activities

2026 HSI Pre-Feasibility Projects Task Orders

- Program Management
  - Program & Owner Meetings
  - CEO/BOD Meetings and Updates
  - FERC / Agency / Stakeholder Coordination
  - Continuing HSI Investigation
  - 2027 Site Selection & Planning
- Bradley Lake - Dixon Diversion
- HSI Pre-Feasibility Sites
  - Godwin
  - Caribou
  - Canyon
  - Boulder



2026 HSI Pre-Feasibility Work Activities

- Project Management
- Site Characterization
  - Site Visits
  - Stream Gaging
  - Geotech & Geologic
  - Grid Feasibility
  - Dam Foundation & Borrow
  - Gap Analysis
  - Estimating
- Environmental & Regulatory
  - Stakeholder & Tribal Engagement
  - Document Development (NOI/PAD)
  - Non-FERC Determination
- Preliminary Design w/CL4 OPCC
- Pre Feasibility Report
  - Summary of work performed
  - Economic & Risk Analysis
  - Development Schedule
  - Recommendations

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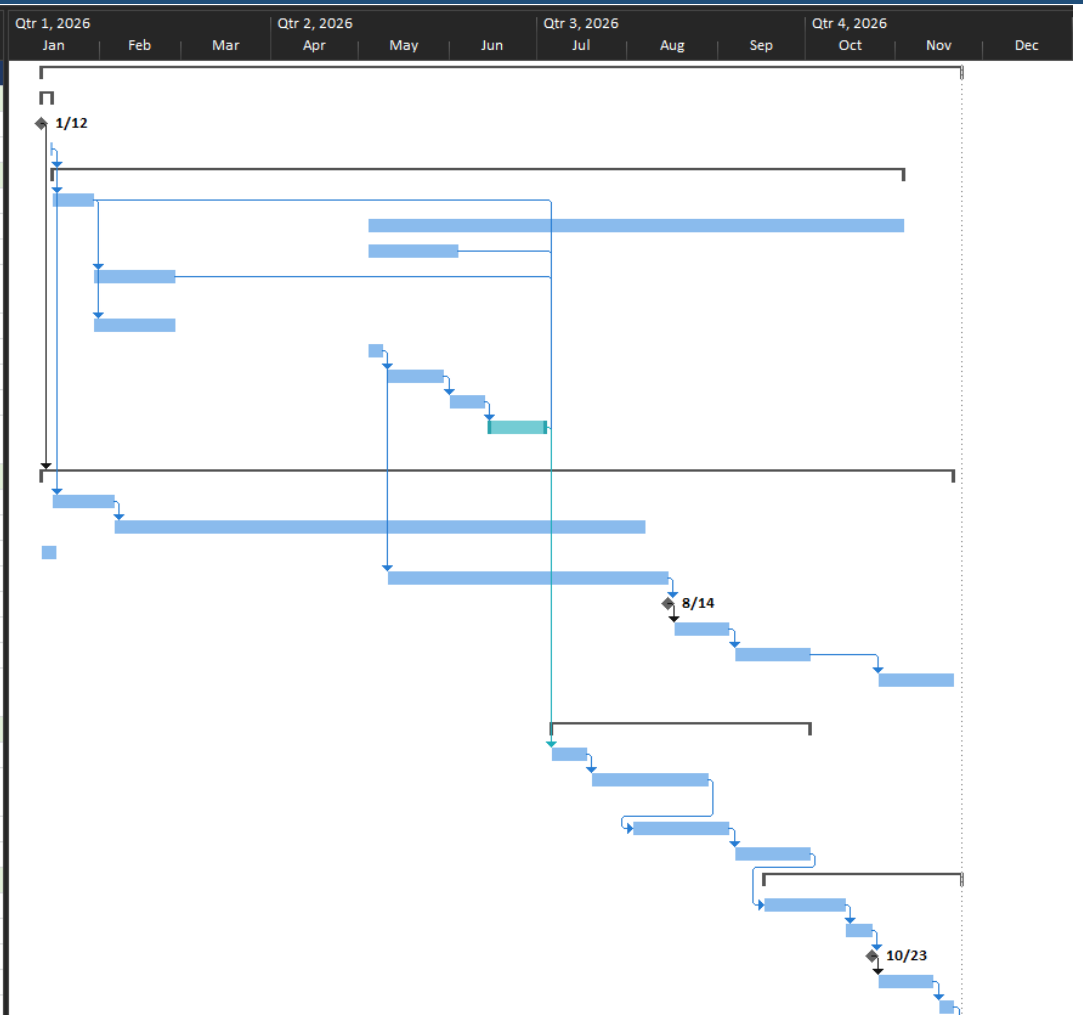
Hydro Program Update – McMillen T/O Contract

2026	Engineering	Stream Gaging	Regulatory	HSI
Jan	Research & Data Collection	Submit Permit Applications	FERC Determination of Jurisdiction	Start Reevaluation
Feb	Develop Site Characterization Plans & Desktop Geotech		Site Specific Stakeholder Outreach	
Mar		Obtain Permits	Site Specific Stakeholder 1x1 Meetings	
Launch Website				
Apr			Site Specific Stakeholder Group Meetings	
May	LiDAR Acquisition Site Characterization	Installation	Tribal TEK Meetings	Present Results to Chugach
Jun	Site Visits		Site Visits	Site Visit(s)
2027 Cost Estimate & CEO/BOD Update				
Jul		Download	Start Drafting PADs	
Aug				Legislative Meeting
Sep	Prelim Design & CL4 OPCC Subsurface Investigation (TBD)	Download & Update Hydrographs	Site Specific Stakeholder Virtual Site Visits	Agency Meeting(s) to Solicit Input
Oct		Review Updated Hydrographs with Chugach	Review Draft PADs with Chugach	Review agency input & provide next project recommendations with Chugach
2027 Site Selection & CEO/BOD Update				
Nov	Review Draft Feasibility Reports with Chugach		Revise PADs Based on Chugach Comments	Agency Meeting to Provide Update Update HSI Report
Dec	Revise Reports Based on Chugach Comments		Site Specific Stakeholder Update Meetings & FERC Meeting	Submit New Preliminary Permit Applications

Hydro Program Update – McMillen T/O Contract

Task Name	Duration	Start	Finish
Chugach Decarb Pre-FEED 2026	**226 days**	**Mon 1/12/26**	**Mon 11/23/26**
1 - Project Management	4 days	Mon 1/12/26	Thu 1/15/26
Task NTP	0 days	Mon 1/12/26	Mon 1/12/26
Kickoff Meeting	1 day	Thu 1/15/26	Thu 1/15/26
2 - Site Characterization	**208 days**	**Fri 1/16/26**	**Tue 11/3/26**
Research and Info Review	10 days	Fri 1/16/26	Thu 1/29/26
Stream Gauging	132 days	Mon 5/4/26	Tue 11/3/26
LIDAR Mapping (sub)	23 days	Mon 5/4/26	Wed 6/3/26
Geotech Site Characterization (desktop)	20 days	Fri 1/30/26	Thu 2/26/26
Grid Feasibility (desktop)	20 days	Fri 1/30/26	Thu 2/26/26
Site Visit (including reg)	5 days	Mon 5/4/26	Fri 5/8/26
Site Visit Reports	15 days	Mon 5/11/26	Fri 5/29/26
Gap Analysis TM	10 days	Mon 6/1/26	Fri 6/12/26
Site Characterization Debrief and Project Path forward determination	15 days	Mon 6/15/26	Fri 7/3/26
3 - Environmental and Regulatory	**225 days**	**Mon 1/12/26**	**Fri 11/20/26**
FERC Determination of Jurisdiction	15 days	Fri 1/16/26	Thu 2/5/26
Stakeholder Engagement	130 days	Fri 2/6/26	Thu 8/6/26
Website Launch	5 days	Mon 1/12/26	Fri 1/16/26
Draft PAD development	70 days	Mon 5/11/26	Fri 8/14/26
Submit Draft Pad for Client Review	0 days	Fri 8/14/26	Fri 8/14/26
Client PAD review	15 days	Mon 8/17/26	Fri 9/4/26
Revise PAD and Finalize	20 days	Mon 9/7/26	Fri 10/2/26
Site Specific Stakeholder and FERC meetings	20 days	Mon 10/26/26	Fri 11/20/26
4 - Prelim Design	**65 days**	**Mon 7/6/26**	**Fri 10/2/26**
Design Critieria Memo	10 days	Mon 7/6/26	Fri 7/17/26
Equipment Sizing, Selection, and Layout	30 days	Mon 7/20/26	Fri 8/28/26
Drawing Development - 15 sheets	25 days	Mon 8/3/26	Fri 9/4/26
Class 4 OPCC	20 days	Mon 9/7/26	Fri 10/2/26
5 - Pre - Feasibility Report	**48 days**	**Thu 9/17/26**	**Mon 11/23/26**
Draft Report	20 days	Thu 9/17/26	Wed 10/14/26
ITR	7 days	Thu 10/15/26	Fri 10/23/26
Submit Draft Report	0 days	Fri 10/23/26	Fri 10/23/26
Chugach Review Period	15 days	Mon 10/26/26	Fri 11/13/26
Revise per Chugach Comments	5 days	Mon 11/16/26	Fri 11/20/26



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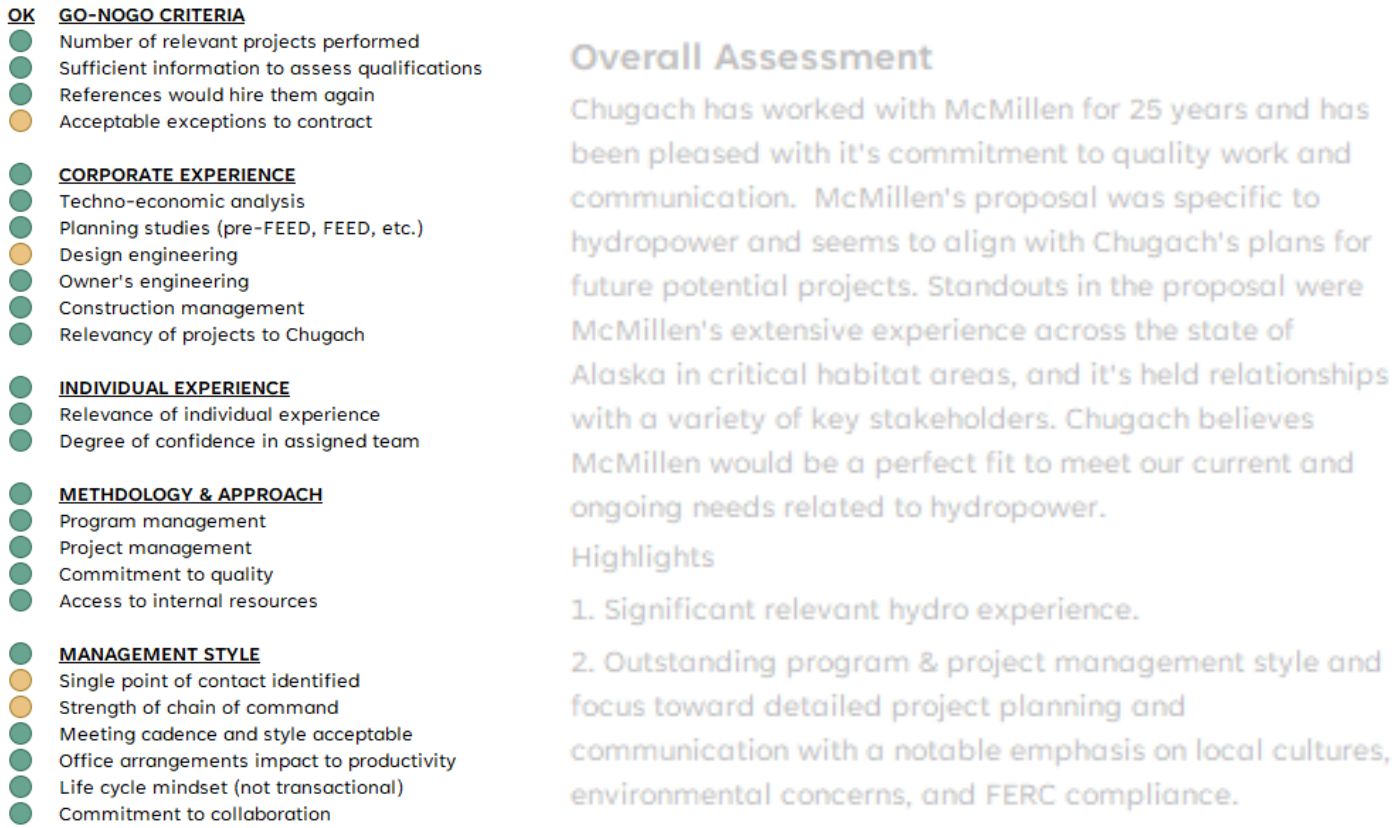
Hydro Program Update – McMillen T/O Contract

McMillen T/O Contract:

Competitively bid and awarded in 2022 under RFQ 22-20 for the **Decarbonization Hydro Program**



OK	GO-NOGO CRITERIA
●	Number of relevant projects performed
●	Sufficient information to assess qualifications
●	References would hire them again
●	Acceptable exceptions to contract
●	**CORPORATE EXPERIENCE**
●	Techno-economic analysis
●	Planning studies (pre-FEED, FEED, etc.)
●	Design engineering
●	Owner's engineering
●	Construction management
●	Relevancy of projects to Chugach
●	**INDIVIDUAL EXPERIENCE**
●	Relevance of individual experience
●	Degree of confidence in assigned team
●	**METHDOLOGY & APPROACH**
●	Program management
●	Project management
●	Commitment to quality
●	Access to internal resources
●	**MANAGEMENT STYLE**
●	Single point of contact identified
●	Strength of chain of command
●	Meeting cadence and style acceptable
●	Office arrangements impact to productivity
●	Life cycle mindset (not transactional)
●	Commitment to collaboration

Overall Assessment

Chugach has worked with McMillen for 25 years and has been pleased with it's commitment to quality work and communication. McMillen's proposal was specific to hydropower and seems to align with Chugach's plans for future potential projects. Standouts in the proposal were McMillen's extensive experience across the state of Alaska in critical habitat areas, and it's held relationships with a variety of key stakeholders. Chugach believes McMillen would be a perfect fit to meet our current and ongoing needs related to hydropower.

Highlights

1. Significant relevant hydro experience.
2. Outstanding program & project management style and focus toward detailed project planning and communication with a notable emphasis on local cultures, environmental concerns, and FERC compliance.

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Hydro Program Update – McMillen T/O Contract

Summary - Next Steps

- Chugach to proceed with HSI Pre-FEED Activites:
  - Pursue development of (4) sites concurrently: Canyon, Godwin, Boulder, & Caribou
  - “Fail Fast” approach; move to secondary selection
  - Continue hydro site investigations in adjacent regions and/or adjust criteria
- Filed Preliminary permits
- Tribal engagement and continue agency coordination
- Update Board of Directors on progress summer 2026

Hydro Program Update – McMillen T/O Contract

Questions ?

CHUGACH
POWERING ALASKA'S FUTURE

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

May 6, 2026

ACTION REQUIRED **AGENDA ITEM NO. V. F.**

_____ **Information Only**
__X__ **Motion**
_____ **Resolution**
_____ **Executive Session**
_____ **Other**

TOPIC

McMillen 2026 Task Order Contract Approval Authorization

DISCUSSION

Chugach Electric Association, Inc. (Chugach) retains McMillen to provide a broad range of hydroelectric professional services, including leadership of the Eklutna Owners' Fish and Wildlife Program and support for ongoing compliance with State of Alaska and Federal Energy Regulatory Commission requirements for Chugach's Cooper Lake Hydroelectric Project and the jointly owned Eklutna Hydroelectric Project.

Having been selected as the most qualified firm to support Chugach's Decarbonization Program through a formal Request for Qualifications process, McMillen continues to advance Chugach's Hydro Sites Investigation. This effort identified four (4) specific sites for further study and feasibility assessment, with work under the 2026 Task Order contract anticipated to proceed concurrently. The scope of work also includes preparation of regulatory permit documentation; preliminary design and cost estimating; pre-feasibility studies and technical reporting; coordination with state and federal agencies; key stakeholder engagement; stream gaging; and potential subsurface geotechnical investigations.

In addition, McMillen will continue to perform due diligence in support of the Alaska Energy Authority led Bradley Lake Expansion Project (formerly known as the Dixon Diversion Project).

MOTION

Move that the Operations Committee recommend that the Chugach Electric Association, Inc. Board of Directors authorize the Chief Executive Officer to enter into a professional services task order contract in an amount not to exceed $5,260,000 to support the following: Eklutna Fish and Wildlife Program deliverables ($1,372,009); regulatory compliance for existing hydroelectric assets ($180,656); technical support for the Cooper Lake Siphon Project ($576,508); and advancement of the Decarbonization Hydropower Program ($3,130,360).

BRU Gas Field Asset Retirement Obligations (ARO)

Subsurface well abandonment

Surface facility abandonment

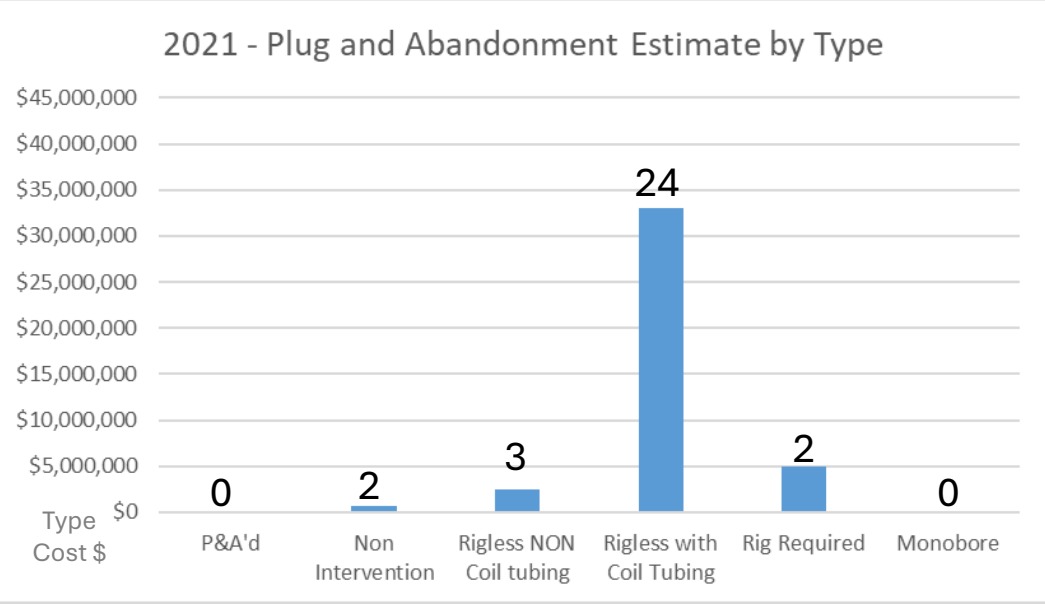
Cook Inlet Prevailing Price Summary / Gas Transfer Price

Subsurface P&A Estimate Detail Comparison

May 2026

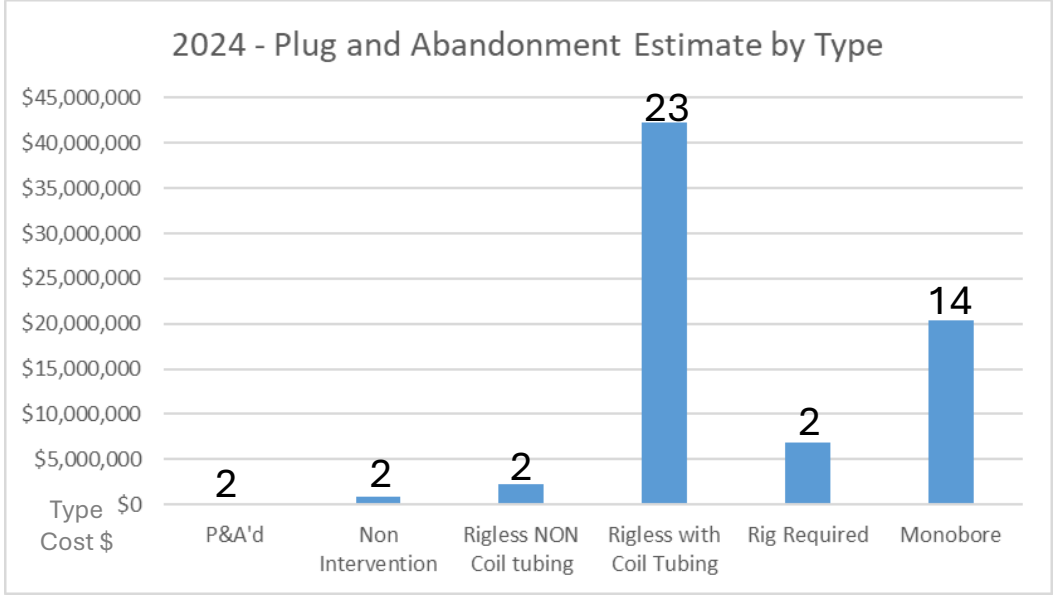
2021 YE P&A Estimate (Gross)

Well Type	Description	Number of Wells	Cost Per Well	Total Type Cost
0	P&A'd	0		
1	Non Intervention	2	$ 331,632	$ 663,264
2	Rigless NON Coil tubing	3	$ 838,482	$ 2,515,446
3	Rigless with Coil Tubing	24	$ 1,374,998	$ 32,999,952
4	Rig Required	2	$ 2,488,960	$ 4,977,920
5	Monobore	0		
		31		$ 41,156,582



2024 YE P&A Estimate (Gross)

Well Type	Description	Number of Wells	Cost Per Well	Total Type Cost
0	P&A'd	2		
1	Non Intervention	2	$ 452,255	$ 904,509
2	Rigless NON Coil tubing	2	$ 1,143,457	$ 2,286,914
3	Rigless with Coil Tubing	23	$ 1,839,947	$ 42,318,784
4	Rig Required	2	$ 3,405,252	$ 6,810,503
5	Monobore	14	$ 1,451,387	$ 20,319,418
		45		$ 72,640,128



Asset Retirement Obligations (ARO) Surface Facilities

May 2026

Report Comparison (Gross)

2021 Surface Estimate

CONAM CONSTRUCTION COMPANY

Rev. 0 - 4.1.22

BELUGA GAS FIELD COST OF ABANDONING SURFACE ASSETS
COST ESTIMATE SUMMARY

DESCRIPTION	QUANITY	TOTAL COST
LABOR	1	$15,456,000
CONSTRUCTION EQUIPMENT	1	$12,623,000
OTHER COSTS	1	$6,782,000
TOTAL ESTIMATED COST	1	$34,861,000
CONTINGENCY	30%	$10,458,000
TOTAL ESTIMATED DEMOLITION COST		$45,319,000
PROJECT MANAGEMANT FEE	6%	$2,719,000
ENGINEERING AMD PERMITS	7%	$3,172,000
TOTAL ESTIMATED PROJECT COST		$51,210,000

2024 Surface Estimate

CONAM

Rev. - 6.3.2025

BELUGA GAS FIELD COST OF ABANDONING SURFACE ASSETS
COST ESTIMATE SUMMARY

DESCRIPTION	QUANITY	TOTAL COST	% of Change
LABOR	1	$15,857,000	3%
CONSTRUCTION EQUIPMENT	1	$15,670,000	24%
OTHER COSTS	1	$6,801,000	0%
TOTAL ESTIMATED COST	1	$38,328,000	
CONTINGENCY	30%	$11,498,000	10%
TOTAL ESTIMATED DEMOLITION COST		$49,826,000	
PROJECT MANAGEMENT FEE	6%	$2,990,000	10%
ENGINEERING AND PERMITS	7%	$3,488,000	10%
TOTAL ESTIMATED PROJECT COST		$56,304,000	

Overall Cost Estimate Increase 10%

* Estimate **included** full removal of airstrip gravel and disposal

Scope Change

* Estimate **excluded** airstrip removal (in place Scarify & Revegetate)

Surface Facility Labor Summary Detail

May 2026

BELUGA GAS FIELD COST OF ABANDONING SURFACE ASSETS
LABOR SUMMARY

Civil OP#6 REV. 0, 4.1.22

LABOR COST SUMMARY

DIRECT CRAFT LABOR	QUANTITY
DIRECT LABOR	125,503
INDIRECT LABOR	42,611
STAFF LABOR	28,490
TOTAL	

LABOR COST DETAIL

DIRECT CRAFT LABOR	MANHOURS
MAIN GAS GATHERING LINE	846
A PAD PRODUCTION FACILITIES	944
B PAD PRODUCTION FACILITIES	975
C PAD PRODUCTION FACILITIES	4,253
D PAD PRODUCTION FACILITIES	2,176
E PAD PRODUCTION FACILITIES	2,984
F PAD PRODUCTION FACILITIES	2,536
G PAD PRODUCTION FACILITIES	1,446
H PAD-TURBINE COMPRESSION FACILITIES	12,608
H PAD-RECIPROCATING COMPRESSION FACILITIES	5,494
H PAD-PRODUCTION FACILITIES	6,534
I PAD PRODUCTION FACILITIES	1,111
J PAD PRODUCTION FACILITIES	4,966
K PAD PRODUCTION FACILITIES	2,151
L PAD PRODUCTION FACILITIES	1,165
M PAD PRODUCTION FACILITIES	1,414
N PAD PRODUCTION FACILITIES	620
BRDW1 PAD INJECTION FACILITIES	2,238
BRDW2 PAD INJECTION FACILITIES	1,786
METER BUILDINGS	1,255
PIPE AND STORAGE YARD	2,800
CAMP AND OFFICE FACILITY	2,061
PRODUCED WATER LINE	260
SMALL COMPRESSOR BUILDING	856
CONTAMINATED SOIL SITES	9,915
CIVIL- OPTION #6 Presented	52,111
SUBTOTAL DIRECT LABOR	125,503

Estimate included removal of road and airstrip

Manhours reduced with scope change

125,503 to 101,808 manhours

partially offset by 7 % increase in

labor rates

BELUGA GAS FIELD COST OF ABANDONING SURFACE ASSETS
LABOR SUMMARY

Rev. - 6.3.2025

LABOR COST SUMMARY

DIRECT CRAFT LABOR	QUANTITY
DIRECT LABOR	101,808
INDIRECT LABOR	36,111
STAFF LABOR	25,060
TOTAL	

LABOR COST DETAIL

DIRECT CRAFT LABOR	MANHOURS
MAIN GAS GATHERING LINE	846
A PAD PRODUCTION FACILITIES	944
B PAD PRODUCTION FACILITIES	975
C PAD PRODUCTION FACILITIES	4,253
D PAD PRODUCTION FACILITIES	2,176
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METER BUILDINGS	1,255
PIPE AND STORAGE YARD	2,800
CAMP AND OFFICE FACILITY	2,061
PRODUCED WATER LINE	260
SMALL COMPRESSOR BUILDING	856
CONTAMINATED SOIL SITES	9,915
CIVIL - BASE	19,613
CIVIL - EXCAVATE GRAVEL HAUL TO BRU	6,099
CIVIL - AIRPORT - SCARIFY REVEGATATE	2,703
SUBTOTAL DIRECT LABOR	101,808

Estimate leaves road and airstrip in-place (scarify / revegetation)

ARO 2021 / 2024 Summary Comparison

May 2026

	2021 YE Report			2024 YE Report		
	Number of Wells	Gross	NET to Chugach	Number of Wells	Gross	NET to Chugach
Subsurface Well P&A	31	$ 41,156,582	$ 27,439,093	45	$ 72,640,128	$ 48,429,173
Surface/Facility Abandonment		$ 51,210,000	$ 34,141,707		$ 56,304,000	$ 37,537,877
		$ 92,366,582	**$ 61,580,800**		**$ 128,944,128**	**$ 85,967,050**

Well count increase from 31 wells to 45 wells requiring P&A

2021 YE cost per well = $ 1.3 MM / well (**Chugach NET = $ 0.9 MM /well**)

2024 YE cost per well = $ 1.6 MM / well (**Chugach NET = $ 1.0 MM / well)**

23% cost increase is generally consistent with historic inflation rates as compared to the 19.9 % inflation rate as was presented in the Chugach Town Hall presentation March 24, 2026

2027 Forecasted Estimate

May 2026

Subsurface Estimate

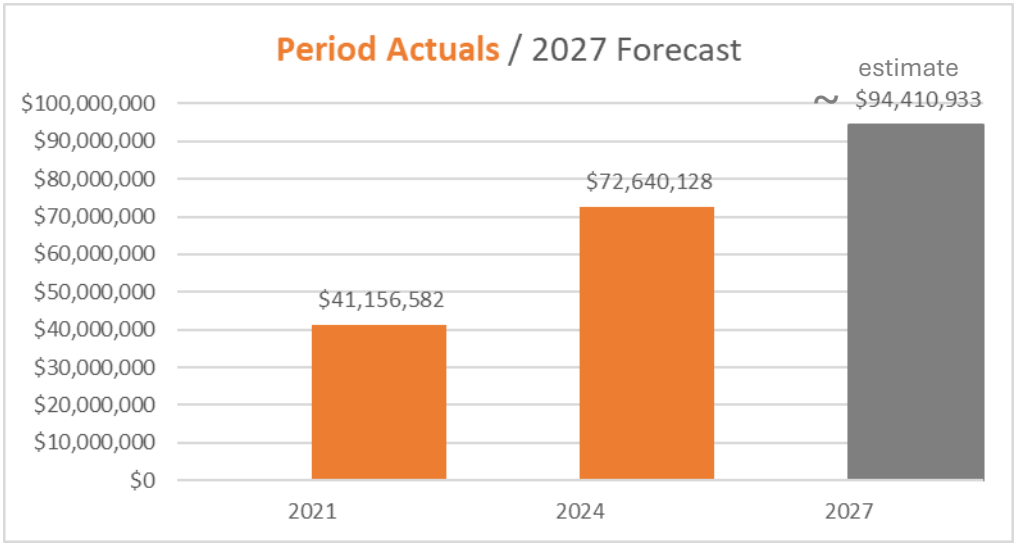
2021 Number of Wells	2024 Number of Wells	2027 YE P&A Estimate (Gross) Well Type	Description	Number of Wells	Cost Per Well	Total Type Cost
0	2	0	P&A'd	2		
2	2	1	Non Intervention	2	$ 452,255	$ 904,509
3	2	2	Rigless NON Coil tubing	2	$ 1,143,457	$ 2,286,914
24	23	3	Rigless with Coil Tubing	23	$ 1,839,947	$ 42,318,784
2	2	4	Rig Required	2	$ 3,405,252	$ 6,810,503
0	14	5	Monobore	29	$ 1,451,387	$ 42,090,223
31	**45**			**60**		**$ 94,410,933**

Surface Estimate

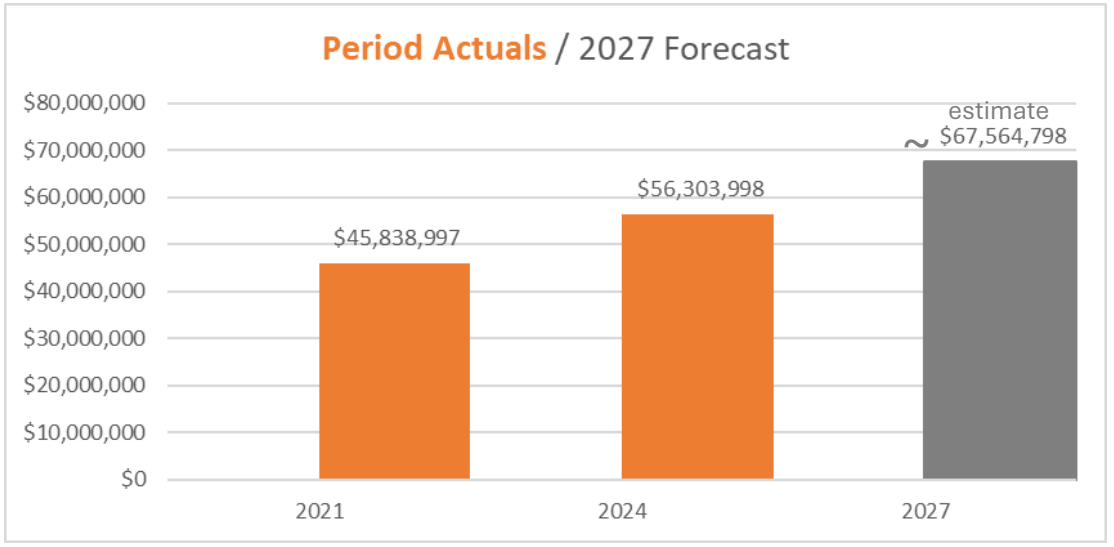
2021 Scope Estimate	2024 Scope Estimate	2027 YE Surface / Facility Estimate (Gross) Scope Description	Total Item Cost
$ 29,314,000	$ 42,225,936	Mechanical / Electrical Demo	$ 50,671,123
$ 8,815,000	$ 10,171,803	Civil Base - Removal of buried infrastructure	$ 12,206,164
$ 1,746,063	$ 2,888,531	Civil excavate- gravel removal roads & pads	$ 3,466,237
$ 11,334,937	$ 1,017,728	Airstrip scarify - revegetation	$ 1,221,274
* **$ 51,210,000**	**$ 56,303,998**		**$ 67,564,798**

*Normalized to reduced scope cost estimate is $ 45,839,000

Subsurface Estimate



Surface Estimate



Cook Inlet Gas Prevailing Value Description

May 2026

Cook Inlet Gas Prevailing Value is calculated under 15 AAC 55.173(b) which states;

For gas delivered in the Cook Inlet area during a calendar quarter, the prevailing value is the weighted average price of significant sales of gas from **producers** of gas to **publicly regulated utilities** in the Cook Inlet area for the three-month period ending one month before the end of the previous calendar quarter. The department will publish on the 15th day of each calendar quarter the prevailing value for that quarter. For purposes of this subsection, "significant sales" means sales of 10,000 Mcf per month or more.

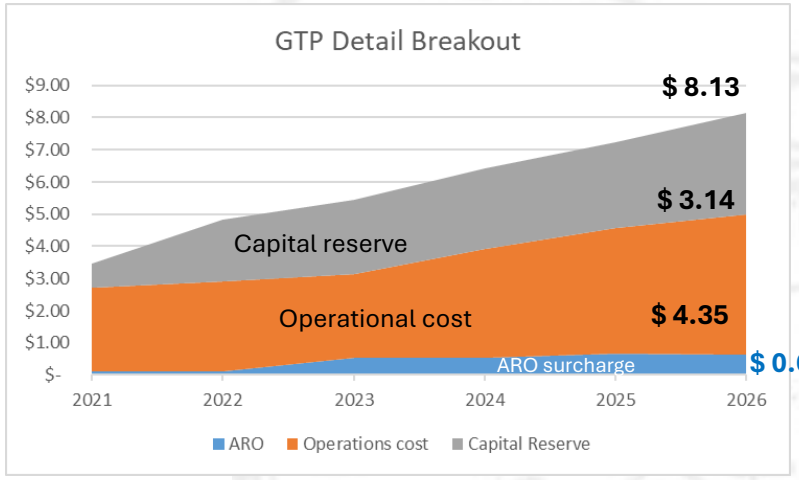
All gas producers are required to provide the Tax Division copies of their gas invoices each month. We analyze each invoice over the last three months and pull the third-party gas sales to regulated utilities that are over 10,000 mcf into the prevailing value calculation. We do a weighted average calculation of the total invoice value (less prior quarter adjustments or other amounts that would not qualify) divided by the volume sold for the three-month period (again, not including prior quarter adjustments or other volumes that would not qualify).

Weighted Average Price of Gas Sales from Producers	Gas Volume Sales to Utilities	=	Cook Inlet Prevailing Price
(ENSTAR contracts to utilities not included)	*(higher volumes at higher price increases prevailing price)*		

Three-month Period

Cook Inlet Prevailing Values vs Chugach GTP

May 2026



ARO surcharge has remained relatively flat

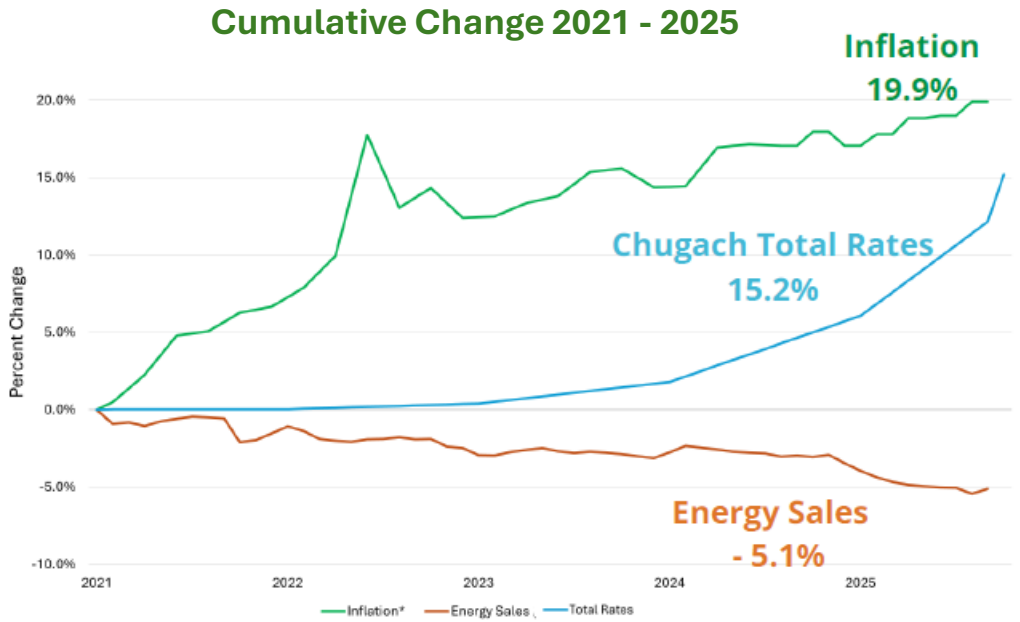
Asset Retirement Obligations (ARO)

May 2026

Overall abandonment cost exposure is consistent with broader Cook Inlet cost trends

Beluga ARO cost forecasts over the period is driven by increased well count and inflationary impacts

Next scheduled ARO review report due for YE 2027



Source: U.S. Bureau of Labor Statistics – Anchorage Region
Chugach Town Hall presentation - March 24, 2026

Executive Session Motion
(Financial and Legal)
May 6, 2026

Chugach Electric Association, Inc.
Operations Committee Meeting

Agenda Item VII.

Move that pursuant to Alaska Statute 10.25.175(c)(1) and (3), the Board of Directors go into executive session to: 1) discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and 2) discuss with its attorneys matters the immediate knowledge of which could have an adverse effect on the legal position of the cooperative.

Chugach Electric Association, Inc.
Anchorage, Alaska

Summary of Executive Session Topics for
Operations Committee Meeting on May 6, 2026
Agenda Item VII.

A. Discussion of confidential and sensitive information concerning Chugach's cybersecurity practices, public disclosure of which could have an adverse effect on the finances and legal position of the Association. (AS 10.25.175(c)(1) and (3))

B. Discussion of confidential and sensitive information regarding FERC pre-application legal matters, public disclosure of which could have an adverse effect on the finances and legal position of the Association. (AS 10.25.175(c)(1) and (3))

C. Discussion of confidential and sensitive information regarding an update of Chugach's gas supply, public disclosure of which could have an adverse effect on the finances and legal position of the Association. (AS 10.25.175(c)(1) and (3))