



CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

SPECIAL BOARD OF DIRECTORS' MEETING

AGENDA

Bettina Chastain, Chair
Mark Wiggin, Vice Chair
Harold Hollis, Treasurer
Sam Cason, Secretary

Rachel Morse, Director
Sisi Cooper, Director
Bernie Smith, Director

May 11, 2023

1:30 p.m.

Chugach Board Room

- I. CALL TO ORDER *(1:30 p.m.)*
 - A. *Pledge of Allegiance*
 - B. *Roll Call*
- II. APPROVAL OF THE AGENDA* *(1:35 p.m.)*
- III. PERSONS TO BE HEARD *(1:40 p.m.)*
 - A. *Member Comments*
- IV. DIRECTOR REPORTS *(none)*
- V. CONSENT AGENDA *(none)*
- VI. CEO REPORTS AND CORRESPONDENCE *(none)*
- VII. UNFINISHED BUSINESS *(none)*
- VIII. NEW BUSINESS *(scheduled) (1:45 p.m.)*
 - A. *Renewable Energy Alaska Project Membership** (Torgerson/Miller)*
 - B. *Comments on Renewable Portfolio Standard (House Bill 121 and Senate Bill 101)*
(Baker/Miller)
- IX. EXECUTIVE SESSION *(none)*
- X. NEW BUSINESS *(none)*
- XI. DIRECTOR COMMENTS *(2:15 p.m.)*
- XII. ADJOURNMENT* *(2:30 p.m.)*

* *Denotes Action Items*

** *Denotes Possible Action Items*

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

May 11, 2023

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Chugach Electric Association, Inc.'s (Association) withdrawal of its membership in Renewable Energy Alaska Project (REAP).

DISCUSSION

Alaska Statute §10.25.010(b) mandates that “[a]n electric or telephone cooperative may not use cooperative funds to promote or oppose the candidacy of a candidate for director of the cooperative.” Given that statutory obligation, the Association maintains strict neutrality regarding Board elections and avoids favoring any candidate over others, explicitly or implicitly.

The Association is a member of REAP and pays an annual membership fee of \$5,000. In the current Association Board election, REAP has recommended that Association members vote for three of the candidates vying to fill three open positions on the Board. Continued membership in an organization that has endorsed candidates for its Board election would violate the Association’s statutory obligation to maintain a policy of strict neutrality.

Given this conflict, the Association believes it is obligated to withdraw its membership from REAP. The Association will continue to engage with REAP on these matters and, to the extent resolved in the future, the Association may reconsider its membership position.

MOTION

Move that the Board of Directors approve the attached resolution authorizing the Chief Executive Officer to take all steps necessary to withdraw the Association’s membership in REAP.



RESOLUTION

Withdrawal of the Association's Membership in Renewable Energy Project Alaska (REAP)

WHEREAS, the Association is a not-for-profit electric cooperative utility that is governed by a seven-member Board of Directors;

WHEREAS, the Association has nine candidates competing for three vacant spots on its Board as part of its annual election process this year;

WHEREAS, the results of this year's Board election will be announced at the Association's annual meeting on May 19, 2023;

WHEREAS, Alaska Statute §10.25.010(b) mandates that "[a]n electric . . . cooperative may not use cooperative funds to promote or oppose the candidacy of a candidate for director of the cooperative;"

WHEREAS, consistent with this statutory obligation, the Association maintains strict neutrality regarding Board elections and avoids favoring any candidate over others, explicitly or implicitly;

WHEREAS, the Association is a member of REAP and pays an annual membership fee of \$5,000;

WHEREAS, the Association recently learned that REAP has formally endorsed and is actively supporting three of the nine candidates vying to be elected to the Association's Board;

WHEREAS, continued membership and funding of an organization that has endorsed specific candidates for the Association's Board election would violate the Association's statutory obligation to maintain a policy of strict neutrality regarding Board candidates;

NOW THEREFORE BE IT RESOLVED, the Board of Directors authorizes the Chief Executive Officer to take all steps necessary to withdraw the Association's membership in REAP.

CERTIFICATION

I, Samuel Cason, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 11th day of May, 2023; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation on the 11th day of May, 2023.

Secretary

May __, 2023

Senate Labor and Commerce Committee
House Energy Committee
State Capitol
120 E. 4th Avenue
Juneau, AK 99801-1182

Subject: *House Bill 121 and Senate Bill 101, Renewable Portfolio Standard*

Dear Senators Bjorkman, Bishop, Gray-Jackson, Merrick and Dunbar and Representatives Rauscher, McKay, Patkotak, Wright, Prax, Schrage, and Carrick:

Chugach Electric Association, Inc. (Chugach) submits these comments regarding House Bill 121 and its companion Senate Bill 101 on Renewable Portfolio Standards (RPS) in the spirit of broadening the discussion and clarifying important points. Chugach provides safe, reliable, and affordable power to its member-owners and, like other organizations, continues to look for ways to increase efficiency and increase value of the services that we provide our members.

Certain aspects of the bills are concerning, including using penalty payments to benefit some members over others by using the penalty payment proceeds to purchase rooftop solar or other apparatus for select members, rather than being invested broadly in more cost-effective utility-scale renewables to benefit all members. Consistent with our clean energy goals, we believe the eligible technologies are too limited. Carbon capture and micro nuclear generation are additional technologies that advance clean energy.

Chugach is moving toward a diverse and clean energy mix and gas is still needed.

Chugach has added renewable generation to our energy mix, and we are actively looking to add more, where economically and technically feasible.

The Chugach Board of Directors has set minimum decarbonization targets of 35% by 2030 and 50% by 2050 provided there is no material negative impact on electric rates. Key to this effort is the evaluation of utility-scale renewable projects, including a large wind project and a large solar project. Both projects were proposed by Independent Power Producers (IPPs) in response to Chugach's 2021 request for proposals (RFP) to add 100,000 MWh of new renewable generation by 2025. Interconnection and integration studies on two potential projects began late last year. The studies evaluate the technical and economic impacts of the projects on the electric system to ensure safe, reliable, and cost-effective operation of the electric grid. Results of these studies are expected this summer and will be instrumental in determining the details of power purchase agreements.

While incorporating additional intermittent renewable generation into the electric system can reduce reliance on natural gas, it does not eliminate the need for gas. We can absorb wind and solar projects only to the extent these technologies can be integrated into our system.

Integration is key. Because utilities must precisely match supply with demand every instant, intermittent generation like wind and solar must be regulated by “firm” dispatchable generation resources, such as from hydroelectric or gas generation plants. Utility-scale batteries help smooth out the variable output, but they are not currently capable of storing energy for long durations. We are actively seeking long duration energy storage technologies, many of which are emerging technologies. Hydroelectric projects with storage such as Bradley Lake Hydroelectric Project, the Eklutna Hydroelectric Project, and the Cooper Lake Hydroelectric Power Plant provide long duration energy storage as well as firm, renewable power.

Renewable energy is often more expensive yet is becoming more competitive in Alaska.

We are desirous of further diversifying our energy generation sources to include clean energy. As clean energy sources become more economically competitive, they become more attractive when compared to long-standing natural gas contracts. Until recently, the cost of energy generated by renewable resources has not been competitive with energy generated from Cook Inlet natural gas. Very few proposed wind or solar projects in the Railbelt have been able to compete against historic utility fuel costs. Chugach’s recent RFP, issued prior to the Cook Inlet natural gas shortage announcement, attracted more than a dozen projects, only two of which proposed pricing that had the potential to not materially increase electric rates. With the likely increase in the cost of natural gas, more clean energy resources will be cost competitive. After decades of non-cost competitive renewables, we are finally entering a period in which they can be competitive. The key challenge will be regulating the variable, non-firm resources into the electric grid.

We welcome purchasing clean energy at competitive prices and have aggressively sought power purchase agreements from IPPs. In fact, utilities are required by federal law to purchase power from IPPs at a utilities’ “avoided cost.” The avoided cost is the cost a utility would incur but for the purchase of power from the project. Projects that exceed avoided cost result in higher rates to members than they would have otherwise paid.

Today, if a renewable energy project can meet a utility’s avoided cost, not only would the utility want to bring on the extra renewable energy, but it would also be required to purchase the energy, per federal standards. Given the economics of Alaska renewable costs finally able to compete against our historically low fuel costs, plus the expected increase of natural gas prices and expected natural gas shortage in the Cook Inlet basin, we appear to be on the cusp of cost-competitive clean energy.

Alaska’s energy structure differs from Hawaii’s.

The House Energy Committee heard testimony from Mark Glick, Chief Energy Officer of the Hawaii State Energy Office. We agree that Hawaii is an islanded grid, just as Alaska is; however, the differences in their respective fuel costs and cost recovery are significant. The clarification below illustrates this as well as how the concept of avoided cost works in practice.

Hawaii's RPS is applicable to both the investor-owned utility, Hawaiian Electric, which covers all islands besides Kaua'i, and the one-island cooperative, Kaua'i Island Utility Cooperative (KIUC). In January this year, the cost of fuel for oil-fired generation in Hawaii was more than 22 cents per kilowatt-hour (kWh) for the most recent 12-month period¹ while the Railbelt's cost of natural gas is 5 to 8 cents per kWh. Chugach's current avoided energy cost is between 5 and 6 cents. It is much easier to meet avoided costs in Hawaii with a renewable energy project than it is to meet it in Alaska because in the last ten years renewables in Hawaii have been less expensive than oil most of the time.² Mr. Glick showed a slide indicating that solar with batteries in Hawaii cost 8 to 12 cents per kWh. Those projects would not be cost competitive in the Railbelt in relation to current rates.

For another example, KIUC pays above 25 cents per kWh for the Green Energy Team Biomass Plant, well above any Railbelt electric utility's avoided cost. That said, we recognize costs are coming down, as shown in 2017, when KIUC signed a PPA for a solar and battery project for 11 cents per kWh. In May 2023, Hawaiian Electric's avoided energy cost for all islands ranged from 19 to 32 cents per kWh.³ Renewable projects scheduled to come online in the next few years on Oahu, Maui and the Big Island will average 11 cents per kWh.¹ Simply stated, Hawaii electric utilities are able to bring on more renewable energy because it makes better economic sense for their members and customers since the projects are well-below their avoided cost of oil-fired generation. Chugach recognizes that natural gas prices will likely increase in the future, and its economic analysis of clean energy projects, including renewables, will necessarily include these higher prices.

Even though renewable energy is less costly to its members, Hawaii utilities can recover costs and expenses of the RPS in rates, unlike the proposed Alaska bills. In addition, the public utility commission (PUC) may provide incentives to encourage the utility to exceed the RPS milestones.⁴ Hawaiian Electric has a Renewable Energy Infrastructure Surcharge, which is a charge approved by the PUC to collect funds that are used to recover the cost of certain projects that facilitate the development and/or integration of renewable energy.⁵ In addition, unlike Alaska, Hawaii utilities can collect from its ratepayers to support clean energy technologies, through a Public Benefits Fee.⁶

The Dixon Diversion project is still undergoing analysis.

I would like to take this opportunity to correct the record regarding the proposed Dixon Diversion project that would divert additional water into Bradley Lake. The Alaska Energy Authority, in partnership with the Railbelt utilities, has filed a license amendment with the Federal Energy Regulatory Commission as an initial step in pursuing the project. Contrary to recent testimony given by the Renewable Energy Alaska Project regarding the economic feasibility of the project, Chugach has indicated that the economic viability of the project cannot be determined until further study and analysis is completed, which will inform key modeling assumptions to be used in the analysis. It is premature to make a final decision on this project until further study is completed.

We are pursuing clean energy goals.

Today's changed natural gas market is increasingly allowing renewables to compete with gas-fired generation. We are already searching for alternatives out of necessity, while also moving toward clean energy, which includes but is not limited to renewable generation.

Thank you for this opportunity to comment.

Sincerely,

DRAFT