

**Unified System Operator (USO) and Transmission-only Utility (Transco)
Business Plan Development**

WHEREAS, the Chugach Board of Directors supports establishment of an inclusive Railbelt stakeholder-governed entity, or governing board, tasked with the responsibility to plan, condition and coordinate necessary transmission additions and upgrades, and to ensure reliability, non-discriminatory open access, and regional economic dispatch;

WHEREAS, Chugach has a large investment in transmission facilities and further investment is needed to upgrade Railbelt transmission infrastructure; and

WHEREAS, Chugach supports the establishment of an owner-governed transmission-only utility with responsibility for financing, constructing, operating and maintaining the Railbelt transmission Grid; and

WHEREAS, the Chugach Board of Directors desires to be proactive and take a leadership role in developing a Railbelt model that protects Chugach's investment in transmission and prudently plans for transmission expansion; and

WHEREAS, a Railbelt transmission model that would benefit Chugach's members, the other Railbelt utilities, and other stakeholders would include these attributes:

- Non-discriminatory open access.
- Maximizing the use of all assets from all transmission providers for joint use with full cost recovery for all providers.
- A universal transmission rate based on system load that will encourage the economic transfer of generation across the network.
- Regional planning of all future transmission infrastructure investments.
- A regulatory compact between the Regulatory Commission of Alaska (RCA), the transmission operator and utilities to enable full cost recovery of transmission investments as long as projects are incorporated in the regional plan.

NOW, THEREFORE, BE IT RESOLVED, that the Chugach Board of Directors authorize the Chief Executive Officer (CEO) to enter a non-binding MOU and associated confidentiality agreements with ATC and other Railbelt utilities to further the work and collaboratively define the business and organizational structure of a USO/Transco that conforms to our guiding principles.

The CEO will inform the Board of any definitive agreements or significant changes. The CEO will report to the Board not later than July 31, 2017 on the status of this effort. And, subsequently, will submit to the Board, for the Board's approval, any documents or proposed regulatory filings

related to the establishment of the USO/Transco.

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Guiding Principles

In the end, our objective must be to maintain reliability and lower costs to each consumer.

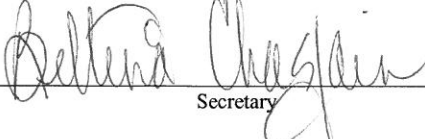
Lowering the overall costs to end-consumers, and improving the reliability and resilience of the electric system will sustain and promote economic growth. The following guiding principles have been developed as touchstone for the development and substance of a restructured Railbelt business model.

- The governance of Railbelt policy making must be inclusive of, and reflect, all relevant Railbelt stakeholder input.
- The bylaws and financial structure of the organization must be structured such that the organization delivers its mission at the lowest practical cost and highest value to the end-use consumer via:
 - An optimal debt to equity structure
 - A reasonable return on equity
 - Functionally appropriate incremental administration costs
- The Transco formation must ensure open access and equitable compensation to all transmission owners for usage of the transmission system.
- The transmission cost recovery tariff (or mechanism) must not distort economic dispatch decisions and should provide a transition to equitable cost sharing for existing assets.
- The policy making governance body of the restructured Railbelt must have authority to monitor and assess the effectiveness of economic dispatch in the Railbelt.
- The restructured business model must maximize regional benefit and minimize the incremental costs of restructuring by, as much as practical, using long term service agreements with existing utilities and granting a preference to locally domiciled entities to accomplish its functions.
 - Further, the new entities (USO and Transco) must assure the use of existing Railbelt human and technical resources e.g.
 - Use existing control centers as the – USO/Transco control center.
 - Railbelt Project Management and Engineering
 - Railbelt Telecom SCADA and System Protection
 - Railbelt Accounting Finance and HR
- For both the USO and the TRANSCO, a minimum of four of the six Railbelt Utilities participating plus 60% of Railbelt load must participate in the initial CPCN filing.

CERTIFICATION

I, Bettina Chastain, 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 26th day of January, 2017; 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 the 26th day of January, 2017.


Secretary