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Fitch: Alaska Power Pool Is Likely Credit Positive.

Fitch Ratings-New York-07 February 2017: Public power utilities in Alaska's recently announced power pool should benefit from greater efficiencies, lower costs and a potential reduction in capex over the long term, Fitch Ratings says. To the extent that projected savings are used to build cash reserves, fund capital expenditures or reduce outstanding debt, credit quality among the participating utilities could improve. However, if the savings are passed back to the rate payers, creation of the power pool would likely be credit neutral.

The proposed power pooling and joint dispatch agreement between Chugach Electric Association, Inc., Anchorage Municipal Light and Power (ML&P), the Municipality of Anchorage, and Matanuska Electric Association was filed with the Regulatory Commission of Alaska (RCA) on Jan. 30. The proposed power pool expands on earlier efforts by Chugach and ML&P.

The pool will benefit the utilities by reducing the cost of power, increasing efficiencies and lowering the use of natural gas and emissions of carbon dioxide. The pool's goal is to meet the combined needs of the systems at the lowest possible cost by dispatching the most efficient resource, regardless of ownership, to meet the combined need. This approach allows for the better utilization of existing resources serving the region and reduces the need to develop and construct redundant resources, lowering capital costs over the long term.

The expanded power pool would include significant hydroelectric resources; two recently built natural-gas-fired combined cycle baseload plants, and quick-start peaking resources. By dispatching the most efficient resources across the pool, the utilities project savings of \$12 million to \$16 million annually in fuel and operation and maintenance costs. The increased efficiency and reduction in natural gas use would also extend the life of current supplies and reduce carbon dioxide emissions by an estimated 90,000 to 120,000 tons per year.

The proposal is currently considered an informational regulatory filing, providing the general framework for the pool's operation and goals. The participating utilities are still working out details regarding the power pool's operation and settlement process. A final, long-term agreement is expected to be filed with the RCA in 2018.

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