Seward Electric Utility Governance Options

INTRODUCTORY NOTE

Seward has a unique opportunity to evaluate whether local ownership or governance of its electric utility could better position the community to develop and benefit from local renewable energy resources. The community has existing hydroelectric infrastructure at Mt. Marathon, where modernization efforts could return a known local generation asset to productive use. While relatively small in scale, Mt. Marathon demonstrates that Seward has viable local renewable energy resources and existing infrastructure that may be strengthened through targeted investment.

In addition, the Godwin/Fourth of July Creek area across Resurrection Bay represents a larger potential hydropower opportunity. Development of this resource would require substantial feasibility analysis, engineering, permitting, environmental review, financing, transmission planning, and continued public engagement. However, the site's water resources, elevation, and proximity to Seward make it an important long-term option for evaluation.

The cooperative model, or another locally governed utility structure such as a municipal utility authority, may provide a pathway for Seward-area customers, both inside and outside the city limits, to retain more direct benefit from future local generation. If the utility is sold to an existing regional provider, future hydropower developed in Seward would likely be integrated into the purchaser's broader system, with both costs and benefits spread across that larger service area.

Further, under a local cooperative or municipal structure, new hydropower investments would likely have a greater impact on Seward-area rates, allowing local customers to more directly realize long-term savings if the projects perform as expected.

Under the federal clean electricity investment credit, eligible clean energy projects may qualify for significant tax credits. In some cases, with the right wage, apprenticeship, domestic content, and location factors, that value can reach up to 50% of eligible project costs. For certain tax-exempt or public entities, the credit may be available through direct pay, meaning the value can come back as a payment rather than just a tax credit.

United States Department of Agriculture (USDA) Rural Utilities Service (RUS) financing among other resources) may be available to several locally governed utility structures, including a nonprofit electric cooperative, a public municipal utility entity, or another eligible utility serving a rural area. RUS electric programs can support distribution, transmission, and generation investments, including renewable generation, subject to program requirements and project eligibility.

Near-term costs could increase moderately as the community invests in modernization and new generation infrastructure. Over time, however, additional local hydropower could help offset purchased power costs, improve local energy resilience, and provide greater long-term control over Seward's energy future. This consideration is especially relevant as Southcentral Alaska faces increasing uncertainty related to natural gas supply, potential LNG imports, and upward pressure on regional energy costs.

EXECUTIVE SUMMARY

The City of Seward (the City) has determined that the current organizational structure of Seward Electric System—as a department of the City operating under the city council, mayor, and city manager—is not well suited to meet the increasingly complex energy, reliability, workforce, financing, and regional-transmission challenges facing the Railbelt electric system and Seward residents.

Based on the community survey results and other community guidance, the City believes that any transition to a new organizational model for Seward's electric utility should be guided by five core objectives:

1. Ensure cost-effective, long-term provision of safe, reliable, electrical service to the City and its surrounding area.
2. Subject to the same reliability and cost-effectiveness objective, maintain or enhance the City's ability to use low-cost, reliable, and resilient energy production as a resource and driver for sustainable local economic growth.
3. Ensure that, subject to the above, each electric consumer irrespective of geographic locations has a voice in the development, operations, and provision of electricity.
4. Ensure the electric utility can attract and retain skilled employees and local workforce to ensure the above goals are achieved.
5. To the extent practical, and subject to the reliability and cost-effectiveness objective above, retain local influence or control over the provision of electric service.

The City has committed to an open and transparent community process and has already conducted a community survey, held multiple town halls, two in-depth focus groups of resident ratepayers and identified four primary preliminary governance options for further evaluation. Below we evaluate these options considering our objectives. Those options are:

1. Franchise Cooperative- Develop a local utility cooperative to operate the utility under a long-term franchise agreement.
2. Asset Transfer Cooperative- Develop a local electric cooperative to purchase City of Seward's utility assets
3. Municipal Utility Authority (MUA)- Establish an MUA to operate the utility under the charter, but outside the current council city government structure.
4. Outright Sale of the Seward Electrical utility to one of the existing Railbelt electric cooperatives.

We recognize that other alternatives may be possible, including a sale to an investor-owned utility, similar to Juneau's model; an operating franchise with another Railbelt cooperative, similar to the current arrangement with MEA, but with an actual transfer of employees; charter changes that would grant citizens outside the city limits special rights with respect to electric service, short of annexation; and other potential structures.

However, in general, we believe most of these alternatives are unlikely to meet the objectives of the transition process because of cost, the likelihood of successful implementation, or other practical and institutional challenges.

We believe the four alternatives presented fairly bound the universe of practical options in relation to the transition objectives. The MUA alternative is as close as practical to the existing structure while still achieving some of the objectives. An outright sale represents the opposite end of the spectrum, while also achieving some objectives. The two local cooperative options fill the space between these alternatives and may meet some, if not all, of the transition objectives.

In choosing among the alternatives, the community will need to weigh the costs, benefits, and risks associated with each option. The comparison below organizes these considerations around the stated objectives of the transition process.

The community survey showed that Seward electric customers want a robust and transparent process, a stronger voice for all users, both inside and outside city limits, in utility decision-making, and additional information before forming a final opinion.

The public's top concerns are rising electricity rates and improving reliability, followed by representation, transparency, and preserving local control to support the local economy and quality of life. These results suggest that the preferred governance model should be evaluated not only on near-term rate impacts, but also on its ability to provide durably competitive electricity rates, improved reliability, local representation, technical expertise, financial capacity, and the institutional focus needed to manage a modern electric utility.

In selecting a governance model, residents and community leaders must consider cost of capital, risk allocation, institutional achievability, governance effectiveness, local control, workforce impacts and capability, and the long-term strategic value of Seward's utility assets as a driver of sustainable economic growth and quality of life. The information provided here is intended to support that decision-making process.

Ultimately, as noted above, the choice among these models depends on balancing the cost of capital and operations, as reflected in electric rate impacts and perceived reliability outcomes, against more qualitative considerations such as risk allocation, community commitment, institutional achievability, governance effectiveness, and the strategic and economic value of local control.

We address the governance options in the order listed at the top of page three.

The two cooperative models both involve forming a local cooperative in the Seward area. Each offers a different path to increased local control, regardless of geography, while also providing access to the national cooperative network.

The national cooperative network includes nearly 1,000 electric cooperatives, many of them similar in size to Seward. 30% of electric cooperatives have fewer than 10,000 meters, and 50% have fewer than 50,000 meters; by contrast, Chugach, with approximately 113,000 meters, and MEA, with approximately 71,000 meters, are significantly larger than most small and mid-sized cooperative utilities in the network. This network is supported by the National Rural Electric Cooperative Association (NRECA), which provides financial, governance, technical, and organizational resources on a scale comparable to those available to large investor-owned utilities.

MODEL TYPES FOR CONSIDERATION

1. Long-term franchise agreement—or "Franchise Cooperative"

A utility cooperative operating the utility under a long-term franchise agreement—the "Franchise Cooperative"—would allow the City to retain ownership of the utility assets while transferring operations, maintenance, workforce management, and capital planning to a newly formed local cooperative under a long-term agreement. The City would likely retain some influence over capital investment decisions.
This model preserves municipal ownership and some degree of influence, but it also creates a complex contractual relationship in which asset ownership, investment responsibility, debt recovery, franchise fees, and accountability must be carefully defined. A Franchise Cooperative preserves ownership while transferring operational responsibility, but it requires a durable, long-term contract and sustained governance

commitment from cooperative board members who are willing and able to develop and apply technical competence to utility decision-making. Depending on the nature and understanding of the franchise agreement lenders may consider it riskier and desire higher returns.

Under this alternative, the benefits, costs, and risks of local asset development e.g. Godwin–4th of July (G4J) project and other developments will rest squarely with the residents of the Seward area irrespective of geographical residency.

The Franchise Cooperative ensures long-term safe and reliable delivery of electric services to the Seward area and retains local control. The ability to develop assets and set rates for the purposes of sustainable local economic growth is retained, Through the NRECA ecosystem, the ability to attract and retain a skilled workforce is enhanced, and the divide between consumers inside city limits and outside city limits is eliminated.

Under the City Charter, the City would likely be required to solicit a Request for Proposals (RFP) to provide this service. However, the RFP could be drafted to require a locally based and locally operated cooperative.

2. Asset Transfer Cooperative

If the City decides to sell the assets to the cooperative, “the Asset Transfer Cooperative” sale proceeds could be used to reduce City debt. Seward would potentially retain a limited “stub utility” to own strategic hydropower assets under FERC licenses and issued with municipal preference, particularly the G4J, while the cooperative operates the broader electric system and may contract to operate the stub utility. This structure offers the clearest allocation of risk and may provide the strongest long-term platform for workforce flexibility, cooperative financing, and local economic development. However, any premium, debt defeasance or refinancing cost, or ongoing PILT or administrative fee negotiated as part of the sale would ultimately need to be recovered through local utility rates, putting upward pressure on them.

Therefore, establishing a locally established electric cooperative to purchase the City of Seward’s utility assets “Asset Transfer Cooperative” provides the cleanest separation of responsibilities. Under this model, the cooperative would purchase the electric utility assets, assume operational and capital risk, and govern the utility through a member-elected board representing the service territory.

From an objectives perspective, the Asset Transfer Cooperative provides similar benefits to the franchise cooperative by ensuring long-term safe and reliable delivery of electric services to the Seward area and retains local control. The ability to develop assets and set rates for the purposes of sustainable local economic growth is retained, Through the NRECA ecosystem, the ability to attract and retain a skilled workforce is

enhanced, and the divide between consumers inside city limits and outside city limits is eliminated.

A crucial point to note in the formation of either cooperative is that under the current charter obligations we believe that the City and its administrative team could take no financial or operational part in the formation of the cooperative under either a franchise or purchased entity. The City administrative team could participate in terms of representing the City's position on cooperative decisions if requested. However, City Council members could participate in cooperative formation but would then be required to recuse themselves of decisions made with respect to the cooperative when the electrical utility ownership is transferred. Once the cooperative is established it is no longer eligible to utilize city funds.

NRECA has information and assistance (potentially financial assistance) available to assist in the formation of cooperatives.

3. Municipal Utility Authority (MUA)

The Municipal Utility Authority (MUA) preserves municipal tax-free financing advantages and direct policy alignment with the City; it also achieves inclusion of consumers outside city limits. However, this option lacks private sector flexibility of a cooperative, and access to the effective broader national cooperative network. In this regard, the cooperative models offer a pathway to stronger regional representation, greater operational flexibility, and potentially more focused and effective economic-development outcomes

Therefore, establishing a Municipal Utility Authority (MUA) model would preserve public ownership, access to tax-exempt municipal financing, and close alignment between utility operations and municipal policy goals. It could also create a focused, board-governed enterprise with greater procurement, workforce, and operational flexibility than the current departmental model. Such a board could be made up of citizens both inside and outside of city limits and have the City manager an ex officio[1] voting member. However, the City would continue to carry the utility's balance sheet, capital funding requirements, operational risk, workforce challenges, and strategic burden at a time when electric utilities are becoming more technically complex and regionally integrated. Establishing a Municipal Utility Authority preserves municipal ownership and financing advantages but may not fully solve the City's institutional bandwidth and workforce challenges.

[1] Ex Officio means someone has a role, seat, authority, or responsibility because of the position they already hold, not because they were separately elected or appointed to that role.

From an objectives perspective, the MUA provides some of the same benefits as cooperative alternatives by ensuring the long-term, safe, and reliable delivery of electric service to the Seward area, while retaining local control and the ability to develop assets and set rates in support of sustainable local economic growth. The MUA would also eliminate the divide between consumers inside and outside the city limits. That said, the MUA would not have access to the NRECA ecosystem and may face greater challenges in attracting and retaining a skilled workforce.

4. Sale Option

Finally, "The Sale Option." This would be an outright sale to an existing Railbelt cooperative. It may be the most straightforward alternative, a simple withdrawal from the electric utility space, entirely. Importantly, such a sale is irreversible, while the Cooperative alternatives and MUA could at some point in the future be sold, undoing a sale of this nature is not practical. Such a sale would be subject to review and approval by the Regulatory Commission of Alaska (RCA) and under RCA rules, likely subject to intervention from any interested and affected stakeholders e.g. local or regional entities affected by the sale.

That said, complete divestiture of the Utility has both advantages and disadvantages. Such a sale would likely produce modest near-term rate reductions. This option would also transfer the utility's balance sheet, capital funding requirements and risk, operational risk, workforce challenges, and strategic burden to the purchasing utility. Economies of scale might drive lower Seward rates; at least initially, but due to scale they will have negligible effect on the purchasing utility.

The Sale Option might also yield a premium above net-book-value for the City's electric utility assets. That premium could be placed in the City's permanent fund and used to help finance future capital needs. However, any such premium would be subject to RCA review and would generally need to be justified by merger-related savings achieved by the purchasing utility and allocated between the seller and purchaser under a shared savings approach. Given Seward's small scale and geographic separation from the other Railbelt utilities, any premium is likely to be modest or small, and vulnerable in the regulatory process.

It is unlikely that the local workforce will remain unchanged, since in the interest of efficiency and scale, some tasks would be transferred to an existing workforce located in the purchasing utility's legacy territory (thus economies of workforce scale are achieved). The sale alternative will solve some management and operational challenges, but it will also eliminate Seward's ability to use its utility as a focused economic-development tool, particularly if future low-cost hydropower benefits are diluted across a larger regional membership.

From the stated objective's perspective, the Sale Option provides some benefits to Seward over the other alternatives by providing low-risk, long-term, safe and somewhat reliable delivery of electric services to the Seward area on a scale similar to other remote Railbelt regions served by the larger utilities. It will not meet the objectives of retaining local control and the ability to develop assets and set rates for the purposes of sustainable local economic growth. It will eliminate the need for developing and retaining a skilled workforce, that said, the governance divide between consumers inside city limits and outside city limits is eliminated as the Seward population is merged into the larger co-op membership of the purchaser.

Key considerations and Financial Analysis

Four central issues will shape much of the economics of electricity delivery on the Railbelt and in Seward over the coming decades, each will affect all alternatives to a greater or lesser degree. In our high-level financial comparative analysis, we focus on three of these four issues and their differential effect on all alternatives. The fourth, Susitna Watana, is too uncertain to model currently.

In our analysis, we assume fixed, moderate load growth. We did not model inflation as it is common to all alternatives, although it does positively impact the electricity rates in the sense that debt in real terms shrinks during inflationary periods. We increase fuel costs based on currently expected price increases associated with the transition to liquefied natural gas (LNG), and we exclude significant penetration of non-dispatchable renewables or other exogenous shocks, such as large new loads, AI data centers, or military installations, or new energy conversion processes, because such events would likely affect all alternatives in a similar manner.

We then evaluate the price differences among the alternatives and grade them on a simple three-part scale for ease of reference. A financial analysis at this level, and at this point in the transition-selection process, necessarily relies on numerous reasonable but debatable assumptions. As a result, the analysis should be viewed as directional rather than definitive.

Once a preferred path is selected, additional alternative-specific financial analysis can be completed to test and validate the underlying assumptions.

Cook Inlet Gas Depletion

The first issue, and common to all alternatives, is the depletion of Cook Inlet natural gas. In the near term (by 2035) all Cook Inlet gas is likely to be replaced by Liquid Natural Gas (LNG), either imported from the Pacific Rim, or supplied through an AKLNG pipeline. Pacific Rim LNG contract prices will likely reflect a basket of market factors, including Japan Korea Marker (JKM) futures, Transfer Title Facility (TTF) futures, Brent

crude, and the probability of Panama Canal access. In any case, those prices will be significantly higher than current Cook Inlet natural gas and are likely to be significantly more volatile than the historical price of Cook Inlet natural gas.

Gas supplied through an AKLNG pipeline is expected to cost significantly more than Cook Inlet gas in the early years, but it could later stabilize at levels near or below Pacific Rim LNG prices and be more stable over the long term. Chugach, owning the Beluga River Unit (BRU) is slightly more secure between 2028 and 2035 than the other Railbelt utilities, but its 2024 International Registration Plan (IRP) shows the BRU depleted in 2035 and it sources all gas from LNG after that time.

In either case, ***absent the local option construction option***, the fuel portion of the consumer electric bill (which represents 30-60% of the consumers total bill) in the Railbelt is expected to increase by 25-40% (on top of normal inflation and other cost drivers) between now and 2035. This will result in Electric bills 25 % or more higher in today's dollars.

Local Hydroelectric Project Development

A central strategic issue across all alternatives is the potential development of the G4J hydropower resource. This project would produce more than twice Seward's current electric energy and capacity requirements and could sustain Seward's electric load, assuming typical growth rates, for many years to come with excess energy to sell.

Modern hydroelectric projects are generational investments, with useful lives that can extend 100 years or more. Federal Energy Regulatory Commission (FERC) licenses are typically issued for terms of up to 50 years and are renewed prior to expiration. Locally, Cooper Lake Hydro's FERC license was renewed in 2007 after 50 years, and the project was subsequently repowered and provides some of the lowest cost electricity in the Railbelt today.

As the saying in the electric industry goes, "There is no cheaper, more efficient, or cleaner source of energy than old hydro—but to get to old hydro, you have to build new hydro."

The initial capital investment in hydro projects is currently about 2 to 2.5 times the cost of gas turbine fired thermal generation. Over the long term, however, the cost of hydroelectric energy can be half or less than the cost of thermal generation. In addition, the federal Investment Tax Credit (ITC), which may cover up to 50% of eligible project costs for projects breaking ground prior to 2033 combined with a low interest State of Ak. construction bridging loan, could reduce the upfront capital hurdle by half, making long-term hydro investment highly attractive.

Seward is blessed with local hydropower resources located close to existing transmission and the road system.

The excess energy and capacity from the G4J project could be sold to other Railbelt utilities and the proceeds used either to lower Seward electric rates or to support discounted rates that incentivize local economic growth. This approach is like the strategy Cordova Electric CEO Clay Koplin described during our first Town Hall. In Cordova's case, the utility discounted rates above a common block threshold for excess hydro electric energy and successfully brought offshore fish processing, along with its associated jobs, back onshore.

The G4J's FERC preliminary evaluation permit, a permit to study the project and prepare a FERC license application, will likely be awarded to Seward in the next few months under the Federal Power Act Section 7(a) Municipal Preference.

If developed under one of the local-control models, the project could be brought online in 2034 and materially reduce Seward's long-term cost of power and support economic-development tools such as low-cost block energy rates.

The cost differential is so significant it will substantially negate the rate increase Seward will see considering Cook Inlet's gas reserve depletion. That said, in the near-term, rates will likely be slightly higher than the non-local control Sale Option and long-term rates for a small organization will always be somewhat higher than for a larger organization with significant economies of scale.

Under the Sale Option due to the "fair and equitable rates" requirements of the regulatory process the value of the G4J resource will likely be pooled with a larger cooperative system, making the direct benefit to Seward ratepayers insignificant.

Projects of this size do not come without risk; however, if executed in a timely fashion (breaking ground prior to the potential expiration of the 50% federal ITC credit in 2033) the project will be a generational game-changer for Seward. Hydroelectric projects are straightforward with little or no untested technology; they have over 100 years of successful construction history behind them

Bond Defeasance

While not on a scale of the two previous considerations, one open question across all alternatives (save the MUA) is the cost of defeasance and refinancing of the municipal debt held by The City on behalf of the Electric department. These are not Electric Revenue Bonds and thus are general municipal debt secured with the good faith and credit of the City Of Seward not tied to specific electric department revenues or assets. The cost of this transaction cannot be known for certain until the new organization is selected and discussion with the bondholders can be initiated. The results could range from the debt continuing to be held by the city of Seward and payments made by one of

the successor organizations to the defeasance of the bonds and the debt refinanced under another vehicle. Likely this cost would be less than 10% of the outstanding debt at the time (current debt is approximately $13 M thus maximum of $1.3 M) and financed over the life of the new vehicle. This is a small cost in relation to the other two central issues discussed above.

Susitna Watana

Development of the Susitna Watan project would bring 2800 GWh of electric energy into the Railbelt. While a significant step forward it represents about ½ of current Railbelt energy consumption (5000GWh). Seward's share of this project would be about 28GWh, roughly ½ of Seward's current energy requirements (50GWh). When combined with the G4J project its seasonal flows would complement the G4J flows and would even further secure Seward's energy future for many decades to come. The project is currently being considered for license completion by AEA and the legislature, although today AEA does not have Legislative approval to move forward.

Seward's Energy Future Findings to Date

COMMUNITY SURVEY

The City of Seward (the City) has determined that the current organizational structure of its electric utility (operating as a department of the City under the city council, mayor, and city manager) is inadequate to meet the changing energy environment in the US and more directly in the Railbelt system of Alaska. The City is committed to an open and transparent process in reaching a community-advised solution.

The City has completed a survey of the community's residents (both inside and outside the city limits), and 422 individuals responded to this survey. This sample results in a margin of error of +/-4.42% with a 95% confidence interval, meaning that if we were to survey every single Seward electric utility user, the results would vary from the results of this survey by no more than 4.42% in either direction 95% of the time. Web survey responses were solicited from Seward electric utility users via email.

Main Survey Findings:

1. The community desired a robust open and transparent process
2. They did not have enough information to form an informed opinion
3. Most respondents, both inside and outside the city limits, felt that all users (both inside and outside city limits) should have a voice in utility decisions.
4. The top two concerns were rising electricity rates (85%) and reliability (48%)

5. These top two concerns are followed by: representation in decision-making (23.7%), lack of transparency (19%), and losing local control (14.2%).

In response to the survey results the City has identified five project objectives and four potential alternatives that would place the utility in a position to meet the challenges of the future while addressing, to various degrees, the desires of the community as expressed in the survey.

The Objectives are:

1. Ensure cost-effective, long-term provision of safe, reliable, electrical service to the City and its surrounding area.
2. Subject to the same reliability and cost-effectiveness objective, maintain or enhance the City's ability to use low-cost, reliable, and resilient energy production as a resource and driver for sustainable local economic growth.
3. Ensure that, subject to the above, each electric consumer irrespective of geographic locations has a voice in the development, operations, and provision of electricity.
4. Ensure the electric utility can attract and retain skilled employees and local workforce to ensure the above goals are achieved.
5. To the extent practical, and subject to the reliability and cost-effectiveness objective above, retain local influence or control over the provision of electric service.

The options considered for evaluation are as follows:

1. Develop a local utility cooperative to operate the utility under a long-term franchise

2. Develop a local electric cooperative to purchase City of Seward's utility assets

3. Establish a Municipal Utility Authority

4. Sale of the Seward Electrical utility to an existing Railbelt cooperative

We recognize that other alternatives may be possible, including a sale to an investor-owned utility, similar to Juneau's model; an operating franchise with another Railbelt cooperative, similar to the current arrangement with MEA; charter changes that would grant citizens outside the city limits special rights with respect to electric service, short of annexation; and other potential structures.

However, in general, we believe these alternatives are unlikely to meet the objectives of the transition process because of cost, the likelihood of successful implementation, or other practical and institutional challenges.

We believe the four alternatives presented fairly bound the universe of practical options in relation to the transition objectives. The MUA alternative is as close as practical to the existing structure while still achieving some of the objectives. An outright sale represents the opposite end of the spectrum, while also achieving some objectives. The two local cooperative options fill the space between these alternatives and may meet some, if not all, of the transition objectives.

BACKROUND

Starting in 2025, the City of Seward began conducting outreach to utility ratepayers in various ways including: a public survey, multiple town hall meetings, and two in-depth focus groups of resident ratepayers. Through this process, four primary governance options for further evaluation were identified.

At the first town hall meeting, we brought together utility CEOs and board members from three other seaboard Alaska cooperatives representing areas topographically similar to Seward including Cordova Electric Association, Copper Valley Electric Association and Kodiak Electric Association, to discuss their experience as small cooperatives.

Next, in town hall #2 The City brought together CEOs and senior managers from each of the Railbelt utilities to describe their organization's mission, values and accomplishments.

In the third town hall we featured former U.S. Senator, Mayor of Anchorage, and longtime Anchorage Assembly Member Mark Begich to discuss his experience in forming a telephone utility MUA. (Anchorage Telephone Utility (ATU) a 1990's era telephone utility owned by the Municipality of Anchorage) and eventually selling the MUA as it wasn't found to be responsive enough to the changing telecommunications environment.

Utility Cooperatives in Alaska: History and Uses in Alaska

For comparison purposes, the history of the Cooperative movement and the cases of other Alaska municipal utilities that moved to cooperative governance models are reviewed below.

The electric cooperative model is rooted in member ownership, local control, and service at cost rather than investor return. Cooperatives are privately owned (by the membership), Not-for-Profit 501(c) businesses. Importantly Cooperatives (like Municipals and State agencies) are eligible for Direct Pay of Investment Tax Credits (ITC) by the US treasury.

Cooperatives are organized around the seven cooperative principles: voluntary and open membership; democratic member control; members' economic participation; autonomy and independence; education, training, and information; cooperation among

cooperatives; and concern for community. These principles distinguish between cooperatives from investor-owned utilities and, in some respects, from municipal utilities: the customers are also the owners, board members are elected by the membership, and margins are generally reinvested in the system and later returned to members through capital credits. Board seats can be elected at-large, geographically allocated or a combination of both. Cooperatives are found in many industries that provide basic services: electric, telephone/communications, farm, and both institutional (CFC and CoBank) and retail (credit unions) finance.

Electric cooperatives arose from a practical gap in the early electric industry: investor-owned utilities and municipal systems generally served cities, towns, and denser load centers, while many rural areas remained uneconomic to electrify under conventional private-utility and city owned utility business models. In the Lower 48, the cooperative model expanded rapidly after the creation of the Rural Electrification Administration (REA) during the New Deal era. Farmer and community-based cooperatives were able to borrow federal funds at low cost, organize locally, build distribution infrastructure, and extend electric service to rural homes, farms, and small businesses that otherwise lacked access to affordable power. By 1942, the nation's electric cooperatives had formed the National Rural Electric Cooperative Association (NRECA) to represent their interests in Washington, D.C. and provide education training and technical assistance. At the formation of the REA in 1935 only about 10–11% of U.S. farms had central-station electric service. 18 years later, by 1953, 90% of rural U.S. farms had central-station electric service. As federal financing through RUS, formerly the REA, waxed and waned, electric cooperatives developed their own cooperative financing institutions to provide low-cost alternatives to direct federal financing. CFC was established in 1969 to provide member-owned financing for rural electric cooperatives, while CoBank was formed in 1989 through the merger of the Banks for Cooperatives and now serves as a major cooperative lender within the Rural electric cooperative and Farm Credit System. RUS funds are still available to Cooperatives at reasonable rates.

In Alaska's Railbelt, electric cooperatives developed for many of the same reasons, but under more isolated, geographically challenging, and capital-constrained conditions. Matanuska Electric Association was incorporated in 1941, Golden Valley and Homer in 1946 and Chugach Electric Association in 1948. Chugach grew into the largest member-owned electric distribution cooperative in the state, and the regional Generation and Transmission (G&T) cooperative for the southcentral region until the expiration of the wholesale contracts with Homer and Matanuska Electric in 2013-14. Chugach subsequently became a vertically integrated GT&D with a single wholesale customer, Seward. Unlike any of the other Railbelt Cooperatives, Chugach acquired a 1/3 working interest in the Beluga River Unit (BRU) and later through its acquisition of

Municipal Light and Power (ML&P), ML&P's additional 1/3 working interest in the BRU. The remaining 1/3 interest is held by Hilcorp, the only remaining producer in Cook Inlet.

After the breakup of the Chugach G&T, the other Railbelt utilities, much like Seward has always been, became more than distribution utilities. They became "vertically integrated" and developed generation, transmission, dispatch, and regional coordination functions, and they now form the majority of the Railbelt's electric utility architecture. Together these utilities make up Railbelt Electric Grid, two important organizations not mentioned are the State's Energy Authority, The Alaska Energy Authority (AEA) and Doyon Utilities LLC (DU), a for-profit utility that owns, operates, and maintains the electric (and other) utilities on Fort Wainright, JBER, and Fort Greely.

Fairbanks Municipal Utilities System (FMUS) formerly the City of Fairbanks' municipal utility system, provides electric, steam heat, water, wastewater, and telecommunications services. Its electric system included central thermal generation in downtown Fairbanks, including coal-fired electric generation and district heating. Fairbanks voters approved the sale of the utility system to Golden Valley Electric in 1996.

ML&P traced its roots to Anchorage's early electric system, which began with the Alaska Engineering Commission in 1916 and was later acquired by the City of Anchorage in 1932. ML&P developed into Anchorage's municipally owned electric utility, with major gas-fired generation resources and fuel ownership interests, including Beluga River natural gas.

Anchorage voters approved the sale of ML&P to Chugach Electric Association (CEA) in 2018, the RCA approved the transaction in 2020, and the acquisition closed on October 30, 2020.

In comparison, Seward Electric System (SES) was incorporated in 1938 and is the City's municipally owned electric utility. It remains the last municipal electric utility in the Railbelt. Its local generation consists primarily of diesel backup generation at the Fort Raymond plant and at the time of this report, most of Seward's energy is purchased under wholesale power arrangements from Chugach Electric Association.

OPTIONS FOR SEWARD'S ENERGY FUTURE

This document serves as an initial expanded description of each alternative, a description of potential impacts on the status quo, and current direction of the utility, pros, cons and risks of each alternative, a qualitative assessment of the reliability impacts of the various alternatives and differential financial analysis for years 0 to 50 following adoption of each alternative. For modeling the life of G4J the alternative lives are carried out 50 years, the life of a typical FERC hydroelectric license.

From a financial and institutional perspective, the four models, developing a local utility cooperative to operate the utility under a long-term franchise, developing a local electric

cooperative to purchase the City of Seward's utility assets outright, formulating a semi-autonomous Municipal Utility Authority, and selling the Seward Electric Utility to an existing Railbelt cooperative, present distinct tradeoffs, particularly when the cooperative options are assumed to involve a newly formed, locally governed, member-driven entity representing customers both within and outside City limits.

The cooperative models will be discussed first, followed by the Municipal Utility Authority concept and then a discussion of the sale option.

1. Develop A Local Utility Cooperative to Operate the Utility Under a Long-Term Franchise

In each of the local cooperative cases (the Franchise Coop and the Asset Transfer Coop) the preservation of local control will allow the utility to use energy policy and rates to incentivize local economic development. Some local control would also be retained with a Municipal Utility Authority.

The Franchise Cooperative alternative would likely add complexity to the transition process because of the contractual relationship it would require. However, it may reduce regulatory risk with respect to the Regulatory Commission of Alaska (RCA) and the transfer of the utility's Certificate of Public Convenience and Necessity (CPCN).

This model is similar to the approach that has worked for the City with respect to Providence Hospital and the Alaska SeaLife Center. In addition, this alternative would provide the City with some continued influence, although diluted, over the cooperative's business, likely through the creation of an ex-officio voting board seat. Development of this board seat may be necessary to meet by the City's charter responsibility to oversee expenditure and investments in City-owned assets.

The added complexity is likely to arise through long-term contractual arrangements, shared risk, and the need to maintain alignment between the City-owned assets and cooperative-led operations and capital investment. Capital investment contractual arrangements are the most complex of these topics, e.g. how investment decisions are made, and further, the requirement that the City manages existing debt obligations and replace current administrative contributions through franchise fees or Payment in Lieu of Taxes (PILT) type mechanisms. Depending on complexity and understanding lenders may view this type of arrangement as more risky and seek a financing premium to offset this risk.

2. Develop A Local Electric Cooperative to Transfer or Purchase City of Seward's Utility Assets

The Asset Transfer Cooperative model, by contrast, provides the clearest financial separation, potentially requiring bond defeasance (which may bear defeasance costs and interest rate changes) and transferring capital and operational risk to the cooperative—while preserving and potentially enhancing the utility's role as a local economic development engine. The cooperative is directly governed by its member-owners across the service territory including the City of Seward. Therefore, it may be better positioned to pursue economically rational, regionally aligned investments without the constraints of intra-municipal political considerations. This improves responsiveness to local needs and opportunities. There are considerations related to the City charter as to whether assets could be transferred to a specific entity without a modification of the charter or would the new cooperative be required to participate in a competitive process to acquire those assets. These issues have not been definitively resolved at this point in time.

The Asset Transfer Cooperative model will likely require the City to maintain a stub utility to own the G4J Hydroelectric project (much as MOA did with the Eklutna project in the Chugach/ML&P acquisition, although for different reasons). The hydroelectric project would be operated and maintained by the cooperative under contract but ownership would reside with the city under its existing Certificate of Public Convenience and Necessity (CPCN). The preliminary license application sought licensing under section 7A of the Federal Power Act (FPA) which provides a preference for municipalities in the development of local Hydro-electric projects. If awarded under this clause Municipal ownership would be appropriate for the foreseeable future.

Both cooperative approaches, however, require the successful formation and long-term sustainability of a competent, compensated governing board, capable of exercising fiduciary oversight and making technically complex decisions—an important consideration in smaller communities where board capacity, continuity, and expertise can be challenging to maintain.

Additionally, an outright asset transfer may necessitate the transfer of the CPCN, potentially increasing exposure to economic regulation and associated compliance requirements. While cooperatives generally offer greater flexibility in compensation and hiring—an advantage in recruiting specialized utility talent—they must still build organizational capability from the ground up.

3. Form a Municipal Utility Authority (MUA)

First, the MUA preserves access to tax-exempt municipal financing, which can be advantageous in a rising interest-rate environment and maintains direct alignment

between utility operations and municipal policy objectives. However, it also leaves the municipality fully exposed to capital requirements, operational risk, and the continuing challenge of funding competitive compensation and human-resource development within public-sector constraints. The latter is one of the most significant reasons the current structure is not functioning adequately.

Importantly, this alternative would not require any interaction with, or modification of, the current CPCN, thereby avoiding some risk of economic regulation. However, the changing landscape of the electric utility industry in the coming decades, both in the Railbelt and across the United States, will likely place increasing demands on the city if utility operations remain fully integrated into day-to-day municipal government.

These demands could absorb a disproportionate share of human, financial, and political resources, drawing them away from the core functions of general government, including streets, roads, recreation, and education. In addition, this structure would likely dilute the city's managerial and strategic capacity to navigate ongoing changes in the electric utility industry. This lack of institutional "bandwidth" creates a greater risk of utility missteps due to insufficient focus.

Municipal Utility Authority (MUA) vs. Cooperatives

In contrast with the MUA, both local cooperative models can leverage the broader financing and resource support ecosystem associated with CoBank, National Rural Utilities Cooperative Finance Corporation (CFC), and the Department of Agriculture Rural Utilities Service (RUS), as well as workforce and benefit structures supported by National Rural Electric Cooperative Association (NRECA). As newly formed entities, however, these advantages may take time to fully materialize, particularly with respect to creditworthiness, borrowing costs, bondable capacity, and institutional capacity.

Importantly, CoBank and CFC weigh cashflow most heavily in evaluating credit worthiness; and, as a regulated utility with a certificate of public convenience and necessity, cashflow is functionally assured. In the case of the franchise, necessary investment certainty and recovery as well as balance sheet capability would need to be established in an iron clad fashion by contract.

This NRECA ecosystem resolves one of the primary challenges to very small utility administration, development and operations. NRECA provides meaningful long-term benefits in training, workforce development, and operational support, compared to the more decentralized municipal support structure represented by the American Public Power Association (APPA) and Northwest Public Power Association (NWPPA). For example, there is a structured board of directors training program (NRECA Board Certification), senior management training (Management Internship Program (MIP) and

technical programs for lineman, operators and engineers. Additionally, the NRECA Compensate program provides benchmarking of salaries across Coops nationally aiding in competitive salary and benefits offerings.

NRECA's retirement and insurance program provides a diversified national pool which provides reasonably low-cost high-value benefit packages for employees. This is a practical option.

Ultimately, the choice among these models depends on balancing cost of capital, risk allocation, institutional readiness, governance effectiveness, and the strategic value of local control. The municipal model preserves financing advantages and direct policy alignment, while the cooperative models offer a pathway to stronger regional representation, greater operational flexibility, and potentially more focused and effective economic-development outcomes.

In each of the local-control models—the MUA, the Asset Transfer Cooperative, and the Franchise Cooperative—success will depend on establishing a competent and dedicated board of directors. Board members must either have relevant electric utility experience or the ability and willingness to be trained in the electric utility industry, this is an area where Cooperatives shine with structured BOD training. However, If the community is not fully committed to this path, the Sale Option may be the most effective solution.

4. Sale of the Seward Electrical utility to an existing Railbelt cooperative " The Sale Option"

If the City of Seward decides to sell all electric utility assets to an existing Alaska cooperative, the transaction would likely offer a simpler solution, but local control and influence would be diminished. This is due to the relatively small size of the Seward-area membership compared with the larger cooperative's overall membership base.

The benefits of the Sale Option are that Seward could effectively withdraw from the electric industry as a standalone entity, transfer all capital and operational risk, assets and liabilities, and strategic burdens to one of the other Railbelt utilities, Seward area residents would become individual members of the combined cooperative. The Sale Option might also yield a premium above net-book-value for the City's electric utility assets. That premium could be placed in the City's permanent fund and used to help finance future capital needs. However, any such premium would be subject to RCA review and would generally need to be justified by merger-related savings achieved by the purchasing utility and allocated between the seller and purchaser under a shared savings approach. Given Seward's small scale and geographic separation from the other Railbelt utilities, any premium is likely to be modest or small, and vulnerable in the regulatory process.

Under the sale option, in the near term (7-8) years, electric rates may be slightly lower in the near term by 10% to 25%, but likely significantly higher in the following decades beyond 2034 perhaps 10-15%. Under sale, Seward will not realize the full local savings and economic benefits associated with the development of local hydropower resources, such as those that could be generated from the G4J project.

Soon, likely before 2033, the G4J project will be developed by Seward, Chugach, AEA, or a consortium of Railbelt utilities. The economics under the federal Investment Tax Credit regime are simply too compelling to ignore.

Because Seward currently owns and operates a municipal utility, it is likely to have the first opportunity to pursue and develop this project. The question before the community is whether Seward residents will directly benefit from those savings, or whether a future owner will roll the value of the project into the annual budget of a larger organization.

The potential G4J project is developed at a cost equivalent to Bradley Lake, adjusted for CPI and design differences, The fuel portion of Seward's Cost of Power Adjustment (COPA) could decrease significantly—from an estimated 14–16 cents/kWh under a Railbelt PPA contract to approximately 3–5 cents/kWh. This would represent an estimated decrease of 66% to 77%.

However, under the Sale Option, the cost and benefit of this hydroelectric energy would likely be pooled with the CEA/MEA Power Pool, HEA's cost of power, or GVEA's cost of power, depending on the successful purchaser. As a result, the benefits to Seward customers would be diluted to the point of being nearly unnoticeable.

By contrast, retaining access to a local resource like G4J, with significantly more energy and capacity than Seward requires, would allow the local alternatives to take a page from Cordova Electric's playbook. Seward could establish a block rate with energy priced in the single digits, creating a strong incentive for bringing new industry and economic growth to the community.

One important attribute of the Sale Option is that it is practically speaking irreversible. Once the City sells the electric utility assets, transfers the CPCN, and integrates Seward's customers, workforce, facilities, rates, and future resource opportunities into a larger utility system, the community would have very limited ability to reverse that decision. Reacquiring the utility later would likely require a willing seller, a negotiated purchase price, RCA approval, financing capacity, and the recreation of local utility governance, staffing, operations, and technical capability. In practical terms, the sale would convert Seward from the owner and decision-maker into one customer group within a much larger organization. If future circumstances change, such as the successful development of G4J, changes in regional power costs, or a renewed desire

for local control, the community may not be able to recover the same level of ownership, influence, or economic benefit it once held. For that reason, the Sale Alternative should be viewed not merely as a governance option, but as a permanent transfer of strategic control over one of Seward's most important long-term community assets.

Conclusion

Ultimately, the path forward is a decision for the community and the City of Seward. The choice is not simply between different utility structures; it is a choice about the community's long-term relationship with one of its most important public assets.

On one end of the spectrum, Seward can preserve local control, retain the ability to develop local resources such as G4J, and use its electric utility as a platform for long-term economic opportunity, competitive rates, reliability improvements, and community self-determination. This path may require greater local commitment, more institutional effort, and a willingness to build or strengthen the governance, technical, and financial capabilities needed to manage a modern electric utility.

On the other end of the spectrum, Seward can divest the electric utility and become part of a much larger organization. That approach may offer the perceived safety, scale, and administrative simplicity of being served by an established regional utility. However, it would also reduce local control, dilute Seward's influence within a larger customer base, and may limit the community's ability to capture the direct economic benefits of future local resource development.

The alternatives described in this analysis are intended to help the community better understand the practical choices available. Each option involves tradeoffs among cost, risk, reliability, local control, workforce capability, access to capital, regulatory complexity, and long-term economic value. No alternative is without challenge, and no alternative should be evaluated solely on the basis of short-term rate impacts.

It should be noted that successful participation in the constantly evolving electric industry will require dedicated long-term commitment of citizens willing to actively participate on the utility's governing board.

Evaluation and understanding are essential to a transparent and open public process regarding the future of the City's electric utility. The central question is whether Seward wishes to retain and strengthen local control over its energy future, or whether it prefers to transfer that responsibility, along with much of the associated opportunity, to a larger outside organization. That decision should be made deliberately, with a clear understanding of both the near-term consequences and the generational implications for Seward's economy, reliability, rates, and quality of life.

The tables below summarize the comparative risk and reward of various options: Table 1-1 compares the various local control financing alternatives, Table 1-2 compares the local control qualitative outcomes with regard to rates and reliability, and Table 1-3 Qualitative Comparison of Risks and Rewards. Table 1-4 Compares the Local control options to the Sale Option

Table 1-1 Indicative Interest-Rate Comparison for Local-Control Alternatives

Planning-level assumptions only. Actual financing costs will depend on borrower credit, security, term, federal eligibility, debt structure, and whether the debt is taxable or tax-exempt.

Alternative	Likely financing sources	Indicative interest-rate range	Planning midpoint	Relative basis-point impact
Municipal Utility Authority / Municipal Agency	Tax-exempt municipal revenue bonds; possible RUS/USDA financing; grants; state/federal programs	4.25%–5.50%	4.875%	Baseline / likely lowest-cost local-control option
Franchise Cooperative	City or municipal entity retains assets and may finance major capital; cooperative may finance working capital, vehicles, systems, and some improvements through CFC/CoBank/RUS	4.50%–5.75%	5.125%	Approximately +25 bps above MUA
Asset Transfer / Purchase Cooperative	New or local cooperative purchases utility assets and finances acquisition, capital improvements, transition costs, and reserves through CFC, CoBank, RUS, or bank debt	5.25%–6.50%	5.875%	Approximately +100 bps above MUA; approximately +75 bps above Franchise Cooperative

Summary of Basis-Point Differences

Comparison	Approximate difference
Asset Transfer Cooperative vs. MUA	+100 basis points
Asset Transfer Cooperative vs. Franchise Cooperative	+75 basis points
Franchise Cooperative vs. MUA	+25 basis points

Narrative summary: From a financing-cost perspective, the MUA/Municipal Agency alternative is likely to have the lowest cost of capital because it preserves access to tax-exempt municipal financing and potentially RUS or other public-purpose lending programs. The Franchise Cooperative may be only modestly more expensive if the City retains ownership of the utility assets and retains the ability to assist in financing major capital improvements. The Asset Transfer Cooperative is likely to carry like the Franchise Cooperative but for different reasons. The Franchise option would need to finance the acquisition of utility assets, transition costs, reserves, and future capital investment on the balance sheet of a newly formed or smaller cooperative borrower.

Table 1-2 Qualitative Comparison of Rates and Reliability for Local-Control Alternatives

This table describes the relative changes in rates and reliability between alternative selection assuming all other variables remain constant between alternatives e.g. inflation, load growth required investment exogenous shocks etc. Incremental rate differences:

- **(0)** Neutral to indistinguishable.
- **(-)** lower by 1-3%, **(-) (-)** lower by 3-6%, **(-) (-) (-)** lower by 6-15%;
- **(+)** higher by 1-3%, **(+) (+)** higher by 3-6%, **(+) (+) (+)** higher by 6-15%.

Dimension	Municipal Utility Authority (MUA)	Franchise Cooperative (COS-Owned Assets)	Asset Transfer Cooperative (Coop-Owned Assets)
Short- Term Rates (Prior to G4J)	Stable, but slightly higher, as G4J is developed and the carrying cost of investment is recovered in rates before the project reaches used-and-useful status and before direct-pay reimbursement is received from the U.S. Treasury. (0)	Stable, but slightly higher yet as transition costs are amortized into the rate base, as G4J is developed and the carrying cost of investment is recovered in rates before the project reaches used-and-useful status and before direct-pay reimbursement is received from the U.S. Treasury (+)	Stable, but slightly higher yet as transition costs including refinance are amortized into the rate base, as G4J is developed and the carrying cost of investment is recovered in rates before the project reaches used-and-useful status and before direct-pay reimbursement is received from the U.S. Treasury (+)
Long-term rates (Post G4J)	Declining with the local development of G4J	Declining with the local development of G4J	Declining with the local development of G4J
Reliability	(0)	(+)	(+)

Table 1-3 Qualitative Comparison of Risks and Rewards - Local-Control Alternatives

Access to Capital Markets	Strong (municipal bond market)	Moderate depends on coop credit development and potential access to Municipal markets as well as potential credit concerns depending on contract complexity	Strong long-term via CoBank, CFC RUS
Bond Defeasance	Not applicable (COS retains debt)	Complex possible to mix Coop and Muni debt, may require structured	Cleanest outcome Debt retired at closing using sale proceeds

		repayment via rates or franchise payments depending on franchise terms	
Upfront Cash to COS	None	None (unless structured prepayment)	Small (asset sale proceeds) but corresponding increase in costs with loss of administrative contribution
Ongoing COS Revenue	Full utility margin + admin contributions	Franchise fee / PILT (typically Mill rate times NBV for assets within city limits)	PILT (typically Mill rate times NBV within city limits)
Administrative Contribution Replacement	Continues as-is	Must be replaced contractually (risk of under-recovery) possible contribution of hydro revenues	Eliminated; replaced structurally via PILT + other revenues, possible contribution of hydro revenues
Capital Investment Burden	Fully on COS	On Cooperative (but COS retains asset risk) potentially some investment burden.	Fully on Cooperative
Operational Risk	COS	Cooperative	Cooperative
Asset Condition Risk	COS	Shared / ambiguous (key contract issue)	Cooperative
Rate Pressure (Long-Term)	Lower financing cost but potentially higher O&M inefficiencies and development paralysis	Moderate (contract structure dependent)	Potentially optimized over time via coop efficiency and private party flexibility
Local Economic Development Leverage	Direct and high (policy-driven)	Moderate (shared priorities)	High and potentially enhanced (member-driven, less political friction)
Governance Complexity Rate **Pressure (Long-Term)**	Moderate (COS board or authority board) Lower financing cost but potentially higher O&M inefficiencies	High (contract + board + COS interface) Moderate (contract structure dependent)	Moderate (single coop board + contracts) Potentially optimized over time via coop efficiencies
Board Formation Requirement Local **Economic Development Leverage**	Yes (if MUA created) Direct and high (policy-driven)	Yes (new coop board) Moderate (shared priorities)	Yes (new coop board) High and potentially enhanced (member-driven, less political friction)
Board Compensation / Burden Governance **Complexity**	Moderate-High/Moderate (COS board or authority board)	Moderate/ High-High (contract + board + COS interface)	Moderate–High-Moderate (single coop board + contracts)
Workforce Competitiveness	Constrained (public pay scales lack of	Improved flexibility -use of cooperative ecosystem Yes (new coop board)	Highest flexibility- use of cooperative ecosystem Yes (new coop board)

Formation Requirement	cooperative ecosystem) Yes (if MUA created)		
Training & Workforce Ecosystem Board **Compensation / Burden**	Supported via American Public Power Association (less integrated) Moderate	Growing access via National Rural Electric Cooperative Association ecosystem Moderate–High	Strongest long-term alignment with NRECA ecosystem Moderate–High
Non-Bargaining unit Benefits (Retirement / Healthcare) Workforce **Competitiveness**	Public systems (often less flexible) Constrained (public pay scales)	Strong cooperative programs (NRECA-linked Improved flexibility	Strong cooperative programs (NRECA-linked) Highest flexibility
IBEW Agreements	No Change, successors and assigns agreement	No Change, successors and assigns agreement	No Change, successors and assigns agreement
Regulatory Risk (CPCN transfer results in economic Regulation) Training & Workforce Ecosystem	Low (status quo) Supported via American Public Power Association (less integrated)	Moderate (depending on structure) Growing access via National Rural Electric Cooperative Association ecosystem	Higher initially (CPCN transfer, potential expanded oversight) Strongest long-term alignment with NRECA ecosystem
Implementation Complexity Benefits (Retirement / Healthcare)	Moderate Public systems (often less flexible)	High (long-term franchise structuring) Transition phase; may lag initially	High (transaction + transition) Strong cooperative programs (NRECA-linked)
Strategic Flexibility Regulatory Risk (CPCN / Economic Regulation)	Moderate-Low (status quo)	Moderate-Moderate (depends on structure)	High (clean structure, clearer incentives) Higher initially (CPCN transfer, potential expanded oversight)
Implementation Complexity	Moderate	High (long-term franchise structuring)	High (transaction + transition)
Strategic Flexibility	Moderate	Moderate	High (clean structure, clearer incentives)

Table 1-4 Compares the Local Control options to the Sale Option

Dimension	Sale Option	Local Control
Directional Short-Term Rates	~24.15	~32.63
Directional Long-Term Rates	~22.94	~26.51
Reliability	Lower (to due fewer local Employees)	Higher
Governance	Each consumer has a single vote (larger pool) regional governing board from purchaser service territory	Each consumer single vote for local governing board

Asset Ownership	Purchaser acquires	Local responsibility
Operational Control	Purchaser acquires	Local responsibility
Capital Investment	Purchaser Responsibility	Local responsibility
Bond Defeasance	Defeasance required	Complex; may require ongoing recovery
Risk Allocation	Purchaser acquires	Local responsibility
COS Revenue Streams	PILT possible potential premium contribution	PILT + hydro revenue + sale proceeds
Administrative Contributions	Must be replaced	Eliminated; replaced structurally
Governance Influence	slight single vote per consumer out of larger pool	High (board seat + contracts)
Strategic Flexibility	N/A	High