

Seward Electric Utility Governance Options



Purpose: frame the practical choices for Seward's electric utility governance, local control, rates, reliability, and long-term resource development.

Why this decision matters

Seward is evaluating utility governance in a changing Railbelt energy environment

Current departmental structure is not well suited to increasingly complex energy, workforce, financing, and transmission challenges.

Community feedback emphasizes rates, reliability, transparency, and representation for users inside and outside city limits.

Local renewable resources create strategic upside if governance preserves local benefit.

CORE QUESTION

Which structure best positions Seward to provide reliable, cost-effective service while preserving local benefits of future resources?

LOCAL CONTROL

REGIONAL SCALE

The strategic resource opportunity

Local hydro could change the long-term economics of Seward electricity

Mt. Marathon modernization

Known local generation asset; small scale, but existing renewable infrastructure.

Godwin / Fourth of July Creek (G4J)

Larger hydropower opportunity across Resurrection Bay; requires study, permitting, financing, and engagement.

Local ownership value

Local governance ties project costs and savings more directly to Seward-area rates.

Federal clean-energy incentives and direct pay may materially reduce eligible project costs.

Rural Utility Service (RUS) through US Department of Agriculture (USDA) financing may support locally governed utility structures.

Near-term modernization costs may rise, but local hydro can offset future purchased-power exposure.

Five objectives guide the transition

The alternatives should be measured against a balanced set of community and utility goals

1

Safe, reliable, cost-effective service

2

Use low-cost resilient energy as a local economic driver

3

Give all electric consumers a voice, regardless of geography

4

Attract and retain skilled utility workforce

5

Retain practical local influence or control



Community survey: what customers said

The survey points toward transparency, information, rates, reliability, and representation

422

respondents

±4.42%

margin

85%

rate concern

48%

reliability

23.7%

representation

Respondents wanted a robust, open, and transparent process.

Many needed more information before forming a final opinion.

Most respondents supported a voice for all users, both inside and outside city limits.

Secondary concerns: lack of transparency and loss of local control.

Four practical governance alternatives

The report frames a practical range from local control to full divestiture

These four options bound the practical spectrum: the MUA is closest to today's structure; outright sale is the opposite end; the two cooperative models occupy the middle ground.

Municipal Utility Authority (MUA)

Public ownership remains; board-governed enterprise outside daily city structure.

Franchise Cooperative

City owns assets; local cooperative operates under long-term franchise.

Asset Transfer Cooperative

Local cooperative purchases utility assets and assumes operational risk.

Sale Option

Utility sold to an existing Railbelt cooperative; Seward enters larger system.

Why the cooperative model is on the table

Cooperatives offer local/member governance and access to a national support ecosystem

Nearly 1,000 electric cooperatives operate nationally; many are small or mid-sized relative to Chugach and Matanuska Electric Association (MEA).

Cooperatives are member-owned, not-for-profit, and typically govern through elected boards.

The National Rural Electric Cooperative Association (NRECA) ecosystem offers board training, workforce development, benefit programs, and technical support.

CoBank, National Rural Utilities Cooperative Finance Corporation (CFC), and Rural Utility Service may provide financing paths once creditworthiness and cash flow are established.



**Local control + national
cooperative resources**

Option 1: Franchise Cooperative

City retains ownership while a local cooperative assumes operating responsibility

Core structure

City owns utility assets; local cooperative operates and plans under a 40-50 year franchise.

Strengths

Preserves local control; includes in-town/out-of-town consumers; accesses NRECA support.

Key risks

Requires durable contract for investment, debt recovery, franchise fees/Payment in Lieu of Taxes (PILT), and accountability.

Best understood as: public ownership + cooperative operating platform + contract-defined accountability.

City of Seward currently uses this model for the local hospital.

Option 2: Asset Transfer Cooperative

A local cooperative purchases the utility and assumes operational and capital risk

Core structure

Cooperative purchases assets and governs through a member-elected service-territory board.

Strengths

Clean separation; direct member governance; workforce flexibility; clearer risk allocation.

Key issues

May require debt refinancing, Certificate of public convenience and necessity (CPCN) transfer, capable board, and City “stub utility” for G4J.

Potentially strongest long-term local-control platform, but only if the community can form and sustain a competent cooperative institution.

Option 3: Municipal Utility Authority (MUA)

Public ownership and tax-exempt financing with a more focused board-governed enterprise

Core structure

Semi-autonomous public authority outside the current departmental model.

Strengths

Preserves public ownership, tax-exempt financing, and the current CPCN.

Key risks

City still carries balance sheet, capital, workforce, and strategic burden.

The MUA improves focus and representation but may not fully solve the City's institutional bandwidth and workforce challenges.

Option 4: Sale to existing Railbelt cooperative

The simplest exit from local utility ownership

Core structure

Seward sells assets to an existing Railbelt cooperative; customers join larger utility.

Strengths

Transfers capital and operating risk; may reduce near-term rates and City burden.

Key tradeoff

Irreversible; local voice diluted; hydro benefits likely pooled regionally.

The Sale Option may be practical if the community is not prepared to sustain local utility governance and investment.

Comparative fit against objectives

No option wins every category; the tradeoff is long range local, strategic value versus simplicity and scale

Option	Local control	Representation	Workforce platform	Financial simplicity
Franchise Coop	High	High	Medium-High	Low-Medium
Asset Transfer Coop	High	High	High	Medium
MUA	Medium-High	Medium-High	Low-Medium	High
Sale Option	Low	Medium	High via buyer	High

Planning implication: use this comparison as a screening tool, not a final rate study.

Comparative fit against objectives

Feasibility level Financial Metrics

Rate in <i>Nominal</i> Cents Per Kilowatt Hour (c/kWh)**				
Alternative	Year 6*	Year 10	Year 20	Year 30
	2030	2035	2045	2055
Current	27.21	27.69	26.90	26.46
Local	32.63	23.11	22.36	22.94
Sale	24.15	24.88	25.80	26.51
Average Residential Monthly Bill in <i>Nominal</i> \$/ Month (700kWh)**				
Current	\$ 190.49	\$ 193.83	\$ 188.28	\$ 185.24
Local	\$ 228.38	\$ 161.77	\$ 156.49	\$ 160.55
Sale	\$ 169.04	\$ 174.17	\$ 180.61	\$ 185.56
*Year 6 sees the highest rate				
** These values are directional and based financial and Railbelt system assumptions				

Financial simplicity

Given that inflation is common to all alternatives, it has been ignored for purposes of comparison and these numbers are in today's (nominal) dollars. These values are directional in nature and based on numerous assumptions which will require additional validation

Financial issues that affect all alternatives

Analysis of financial implications of each option is directional and assumption-dependent

Cook Inlet gas depletion

By roughly 2035, Cook Inlet gas will be replaced by Liquefied Natural Gas (LNG) imports or AKLNG (pipeline), increasing cost exposure.

Local hydro development

G4J could exceed Seward's needs, creating excess value for rates or local growth.

Debt / defeasance

Non-MUA options may require debt, refinancing, franchise fee, or PILT solutions.

Susitna-Watana is noted as significant but too uncertain for current modeling.

Cook Inlet gas depletion raises the stakes

Fuel-price risk is common to all options, but local hydro changes the exposure profile

FUEL TRANSITION

Pacific Rim LNG prices may reflect Japan Korea Marker (JKM), Dutch Title Transfer Facility Natural Gas (TTF), Brent crude, and Panama Canal access risk.

AKLNG may stabilize longer-term fuel supply but is expected to cost more than historic Cook Inlet gas in early years.

Fuel costs represent a large portion of customer bills, so higher gas prices translate into material rate pressure.



Cook Inlet gas
→ LNG / AKLNG



Local hydro
→ price hedge

G4J hydropower is a generational asset

Governance determines whether the value is local, regional, or diluted

>2x **50 yrs** **100+ yrs** **up to 50%**
Seward need FERC term asset life ITC/direct pay

Hydro requires high upfront capital but can produce very low long-term energy cost.

Excess energy/capacity could be sold to other Railbelt utilities or used for local block-rate economic development.

Under a sale, the value of local hydro would likely be pooled across the larger cooperative system.



The make-or-break issue: governance capacity

Local control requires a board made up of ratepayers inside and outside of city limits capable and willing to train, participate and sustain technical and fiduciary oversight

- Both cooperative approaches require successful formation and long-term sustainability of a competent governing board.
- Board members must be trained and willing to make technically complex utility decisions.
- Cooperative models benefit from structured NRECA board and management training.
- Without community commitment to local governance, the Sale Option may be the most effective solution.



**technical + fiduciary + community
accountability**

Decision lens for community discussion

The choice is not only near-term rates; it is a strategic decision about control and risk

Cost of capital

Tax-exempt debt vs cooperative financing vs buyer scale

Institutional achievability

Can the chosen entity actually be formed and sustained??

Representation

Do all users have a practical voice in utility decisions?

Risk allocation

Who bears capital, operating, fuel, and regulatory risk?

Local economic value

Can local resources support long-term rates and growth?

Irreversibility

Sale is the hardest option to undo

Suggested next steps

Move from options framing to informed selection

- Rerun community survey/focus groups
- Confirm evaluation criteria and their value with the community.
- Request community presentation from National Rural Electric Cooperative Association briefing on practical actions/lessons learned regarding rural cooperative formation
- Narrow down to two options
- Side-by-side rate, debt, workforce, and governance sensitivity cases.
- Clarify legal pathway for cooperative formation, asset transfer, CPCN, and City charter constraints.
- Define how G4J ownership, development rights, and benefits would be protected under each local-control option.
- Prepare a public-facing scorecard for the four alternatives.
- Engage with newly formed Bear Creek Community Council for potential area-wide advisory vote



Thank you for coming!

Questions?

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<https://www.cityofseward.us/departments/electric-department>

