

ALASKA STATE LEGISLATURE

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SENATOR LESIL MCGUIRE

Sponsor Statement for Senate Bill 277

"An Act exempting from regulation by the Regulatory Commission of Alaska and by municipalities generators of electricity from renewable energy resources that sell electricity to regulated utilities."

The electric demand of the relatively small and dispersed population in Alaska has traditionally been served by regulated utilities. The Regulatory Commission of Alaska (RCA) is charged with certifying utilities, regulating their rates, resolving disputes and protecting consumers. Throughout most of the State, electric utilities are not-for-profit and/or member owned cooperatives that serve a defined geographic area and customer base. Regulation of these utilities, given their monopoly status may certainly be appropriate.

However, regulation can pose obstacles to investment. In many states, the generation of electricity has been deregulated in order to provide an avenue for private sector investment in the sector. In a traditionally regulated model, the investment risk is born by ratepayers where in a deregulated environment the risk is born by investors. In markets that have been deregulated, investment in renewable energy is significantly higher than in strictly regulated markets. A study by the U.S. Energy Information Administration shows that the annual growth of renewable penetration in restructured electricity markets is 11.3% while it is a mere .6% in highly regulated markets. Recognizing the regulatory impediment to the development of renewables, the Federal government has provided avenues for renewable generators to escape state regulation through an application to the Federal Energy Regulatory Commission.

Senate Bill 277 attempts to find a middle ground between a thoroughly deregulated market and the highly regulated environment in Alaska. SB 277 exempts renewable generation from RCA regulation only if the power is sold to a regulated utility. This compromise maintains RCA oversight over the power sales agreements and thereby provides a layer of protection to ratepayers. SB 277 opens Alaska's electricity market to private sector investment in renewables and will encourage investment in a cleaner energy future for Alaska.