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January 13, 2015

Mr. Duff W. Mitchell
Executive Director
Alaska Independent Power Producers Association
8585 Old Dairy Rd.
Suite 104
Juneau, AK 99801

Dear Mr. Mitchell,

Thank you for sharing with me information regarding the current status of electricity competition in Alaska and AIPPA's important work to promote legislation to establish competitive electricity markets in Alaska. And on behalf of the COMPETETE Coalition, I welcome AIPPA as a member.

As you may be aware, COMPETETE's sole mission is to advocate competitive electricity markets at the wholesale and retail levels. On AIPPA's website, please feel free to refer your members and other visitors to COMPETETE's website, competecoalition.com. There is a wealth of material on the site that could be useful in your efforts to establish competitive electricity markets in Alaska. New and updated material is frequently added under the [Watt Matters Blog](#) and the [Resources](#) tabs. Please feel free to use any of our material.

COMPETE is a diverse coalition, 774 members strong and growing. Among our ranks are electricity customers, demand response providers, technology companies, utilities and independent power producers, all of whom support well-structured electricity markets for the benefit of consumers. Fully one-fourth of our membership are electricity customers. The extensive, long-term experience of COMPETETE's members with competitive electricity markets, as well as published data, demonstrate convincingly that robust customer choice and retail electric competition are the best ways to ensure that residents and businesses have access to reliable, lowest-possible-cost, environmentally-sound electricity. In the next few paragraphs, I summarize the major ways competitive markets benefit customers. These points may be helpful in discussions with legislators and other policy makers.

Markets keep prices as low as possible. Competitive electricity markets do the best job of ensuring the lowest available price for consumers. From 1997 through 2013, retail electricity prices in states with restructured competitive retail markets increased 3.6% *less* than the inflation rate while those in states that rely on monopolies increased 8.2% *more* than the inflation rate. Please see the [restructured markets price chart](#) on our web site for more details.

Markets empower consumers. Electricity is one of business' largest operating costs, and control of electricity costs enhances growth and profitability. Competitive electricity markets give customers the flexibility to choose a supplier that best meets their respective business goals, with targeted service offerings providing choices on price, reliability, generation portfolio mix, risk management, and other specific product and service features. Markets also allow customers to better manage financial risk. In contrast to monopoly utility companies that are guaranteed recovery of their costs from captive customers, competitive service providers must offer superior service at a better prices and bear investment risks themselves.

These market features produce substantial savings on electricity costs that allow commercial and industrial users of electricity to maintain lower prices for their own customers and to invest in their own businesses. For example, customers in Illinois have saved \$37 billion since shopping was allowed in 1997; \$19 billion of those savings were by commercial and industrial customers. These savings were reported in a [2014 report by the Illinois Chamber of Commerce](#) and others.

Markets promote innovation. Competitive electricity markets facilitate innovative demand response resources, which have flourished in these markets. Demand response providers have introduced product and service innovations allowing consumers to reduce or modify their electricity consumption to control their electricity use and costs. This helps to keep prices down and avoids the need to build expensive new generating plants. Competitive markets also provide a superior platform for the emerging Smart Grid technologies that will enable customers to take advantage of the market's transparent price signals and make smart consumption and investment decisions.

Markets help attain environmental goals. In a [Joint Statement of General Principles](#), the Environmental Defense Fund joined COMPETE in recommending "market-based mechanisms both to encourage the efficient operation and use of existing and new resources and to achieve environmental improvements through conservation and biddable demand response." In Pennsylvania, the American Lung Association advocated that customers switch to competitive electricity suppliers offering clean wind energy. And retail electric competition is an efficient way to attain renewable energy goals. Retail suppliers compete with each other and thus have an incentive to procure renewable energy efficiently. Accordingly, the market will determine which renewable energy resources meet renewable energy goals at the least cost.

Consumers favor competitive electricity markets. A [COMPETE report](#) showed that in the 17 states and the District of Columbia where retail competition is allowed, competitive providers supply 68% of eligible non-residential demand and more than 31% of residential demand. The report also shows that during the economic slowdown between 2008 and 2011 when electricity usage in the continental U.S. declined, the electricity demand served competitively increased by 40%, and the number of customers served under retail choice grew by over 53%. And surveys in various parts of the U.S. found strong support for competitive retail electricity markets.

Because of the value of electricity markets to customers, COMPETE promotes competitive electricity markets and opposes policies that threaten the sustainability of existing markets. To provide clarity and guidance to those endeavors, COMPETE has adopted a set of [Principles for Well-Functioning Competitive Electricity Markets](#) that are reflected in all of COMPETE's positions and activities. These principles and their rationales may be useful to AIPPA in policy discussions.

America: Powered by Competition

I hope you find this information and the materials on COMPETE's web site helpful. Best wishes for success in your efforts to bring competitive electricity markets to Alaska.

Sincerely,

William L. Massey
Counsel to the COMPETE Coalition