



March 3, 2015

The Honorable Tammie Wilson, Representative
Alaska House of Representatives
State Capitol Room 412
Juneau, Alaska 99801

RE: CIRI support for HB 78

Dear Representative Wilson:

I am writing today on behalf of Cook Inlet Region, Inc. (CIRI) to express support for House Bill 78, a bill that would begin a long-needed process of introducing competition to the electric utility system in Alaska. CIRI appreciates your attention to the significant and substantive problems that HB 78 seeks to help resolve.

CIRI has become a knowledgeable participant in the Alaska electric utility sector through its development of the Fire Island Wind Project, one of Alaska's few independent power producer-developed and non-utility owned power generation projects. The process of learning our electric utility system to navigate the project development process has revealed to us the significant flaws and barriers inherent to our existing system. Unfortunately, the ratepayers of Alaska's existing electric utilities bear the financial burden of this flawed system. We believe that HB 78 and subsequent measures will spur much needed competition and private enterprise, which in turn contribute and bring innovation that will lower rates for ratepayers.

Competition and the investment of private risk capital are two cornerstones of the U.S. economy. Unfortunately the existing electric utility structure in Alaska essentially prevents both. The consequences of virtually excluding competition and investment result in obvious and unavoidable costs: Alaska has the second highest average cost of residential electric power in the nation and the lowest level of privately owned electrical generation in the country. In fact, the rate of privately owned generation in Alaska is less than in communist China.

Duplication of services and management, an on-going overbuild of new generation projects, inefficient financial management, accountability for project cost increases and cost overruns, and transmission rate pancaking have recently resulted in double digit percentage rate increases for ratepayers of Railbelt electric utilities. In the face of these stark realities, independent power producers willing to risk their own capital to deliver competitive energy are shut out by an uncompetitive and lawless market.

HB 78 sets out to help rectify this situation by introducing competition to this currently isolated market. Legislative reform to allow competition and innovation is

critical to restore the market-based efficiencies in Alaska on which the rest of our national economy thrives. CIRI fully supports the immediate passage of HB 78.

Sincerely,

Cook Inlet Region, Inc.



Ethan Schutt
Senior Vice President, Land and Energy Development

Cc: The Honorable Jim Colver, Co-Chair House Energy Committee
The Honorable Liz Vazquez, Co-Chair House Energy Committee
Jerry Mackie