



**Prepared Remarks of the Alaska Railbelt Cooperative Transmission and Electric Company on Alaska House of Representatives Bill HB 187: *“An Act creating the Railbelt Electrical Transmission Authority; and relating to the duties of the Regulatory Commission of Alaska”*. Presented to the Alaska House of Representatives Special Committee on Energy January 28, 2016.**

Thank your for providing me with the opportunity to address you today. We appreciate the Committee’s leadership on this important topic.

My name is David Gillespie and I am the Chief Executive Officer of the Alaska Railbelt Cooperative Transmission & Electric Company, **ARCTEC** for short. ARCTEC is an organization formed initially by four Railbelt utilities to address industry issues of mutual concern. Our members include Golden Valley Electric Association, Matanuska Electric Association, Chugach Electric Association, the City of Seward, Alaska and Copper Valley Electric Association. Each of our members exists only to provide low cost, sustainable and reliable electric service to its resident and cooperative owners.

Personally, I have worked in the energy industry since 1982. I have been involved first-hand in the implementation of restructured energy markets in New England and in California. I worked for ten years in the Independent power business. I also have worked in the renewable energy industry.

I have spoken before this committee in the past on the potential benefits that could be realized by restructuring the way the Railbelt’s electric grid is planned and operated. A new business model that facilitates regional coordination has the potential to provide real benefits to Railbelt electric customers. These benefits can include increased use of economic dispatch of the region’s generating resources, coordinated development and more efficient use of the transmission system and better opportunities for independent power producers through more transparent rules for interconnection.

Much has transpired since the end of last year’s legislative session, and I would like to brief you on the progress that has been, and continues to be made to achieve a consensus-based approach to Railbelt grid restructuring.

In June, the Regulatory Commission of Alaska (RCA) issued a letter to the legislature in its proceeding I-15-001. In that proceeding the Commission directed the six Railbelt utilities to provide quarterly updates on two fronts: establishing an independent transmission company (Transco) and on the

implementation of economic dispatch and pooling. Since June, progress has been made on both fronts.

The Transco working group which includes the six railbelt utilities and the American Transmission System provided responses to the Regulatory commission in October and December. All six utilities participate in these negotiations and signed the communications to the Commission. As can be seen in its December 31, 2015 filing the Transco working group continues to push forward with system modelling and organizational design. The collaboration and information sharing we have seen among the Railbelt utilities during this process has been noteworthy.

All six utilities are now participating in discussions led by ARCTEC that we hope will soon define the structure, scope and governance of a Railbelt Unified System Operator. We plan to file a progress update with the Commission next week.

Since the end of last year's session, the Commission issued its order under Docket R-13-001, the so-called "IPP" docket. The ruling issued by the RCA went a long way toward addressing how IPP's are to be integrated into the electric system. The decision also defined how IPPs are entitled to be paid by the adopting the Federal Energy Regulatory Commission's definition of "avoided cost".

Although discussions among some date back much further, the progress all of the utilities have made in the 6 short months is unprecedented in recent memory of the Railbelt and a positive sign of their commitment to a solution. The focal point of this work has been the development of an economic model based on open and transparent numbers that each utility stands behind. This model will allow all stakeholders involved to determine the benefits and costs of the solutions being considered and finalize a path forward. Until that path is complete, it is a risk to implement a solution that has unknown economic benefits and potential unintended consequences. I am before you today to encourage you to allow the current negotiations that are taking place among the utilities to play out until we have better answers that we can bank on. Railbelt ratepayers will appreciate our due diligence.

Rather than proceed with the subject Bill at this time, ARCTEC recommends the Committee take a "wait and see" approach. Stakeholders continue to work together to negotiate a consensus-based solution. As I have already mentioned, progress is being made. Yet, it is still too early to define for you exactly what the final solution will be. Based on the collaborative progress that has been made up to this point, it may be possible for us to achieve success through a purely self-driven approach, overseen by the RCA, without the need for new legislation.

Enacting HB187 today would likely derail a process that has been gaining momentum, reaching consensus, and building trust among the utilities for the last six months.

Over the next few months, we plan to update you on our progress and the decisions that are being made with the benefit of real economic data and decades of combined expertise in possible solutions for the system. I'm sure you will be as impressed as I have been with the process and genuine commitment to work together towards pragmatic solutions that will garner real results.

In this time of economic uncertainty, rushing the process or making decisions before we have the benefit of hard data will not result in solutions with long-term benefits or staying power. Let's take the time to develop the right path forward for the Railbelt that will result in real gains for Alaskans for the long haul.

Thank you again for your interest on this important issue, and for allowing me to speak to you today. I look forward to keeping the Committee apprised of our progress.