



RCA Overview

House Labor and Commerce

February 2, 2011

**Regulatory Commission of
Alaska**

Robert M. Pickett, Chairman



RCA Statutory Authority

- The Alaska Legislature created the Regulatory Commission of Alaska in 1999, giving it broad authority to regulate public utilities and pipeline carriers throughout the State.
- AS 42.05.141(a) The Regulatory Commission of Alaska may do all things necessary or proper to...regulate every public utility engaged or proposing to in a utility business inside the state,



Definition of Public Utility

- AS 42.05.990(4) “public utility” or “utility” includes every corporation whether public cooperative, or otherwise, company, individual, or association of individuals, their lessees, trustees, or receivers appointed by a court, that owns, manages, or controls any plant, pipeline or system for:



Definition of Public Utility (continued)

- (A) furnishing by generation, transmission, or distribution, electrical service to the public for compensation;



Definition of Public or General Public

- AS 42.05.990(3) “public” or “general public” means

(A) a group of 10 or more customers that purchase the service or commodity furnished by a public utility;



Definition of Public or General Public (continued)

- (B) one or more customers that purchase electrical service for use within an area that is certificated to and presently or formerly served by an electric utility if the total annual compensation that the electrical utility receives for sales of electricity exceeds \$50,000; and



Definition of Public or General Public (continued)

- (C) a utility purchasing the product or service or paying for the transmission of electrical energy, natural or manufactured gas, or petroleum products that are re-sold to a person or group included in (A) or (B) of this paragraph or that are used to produce the service or commodity sold to the public by the utility;



Certificate of Public Convenience and Necessity (CPCN)

- Alaska Statutes 42.05 (Public Utilities) and 42.06 (Pipeline Act) authorizes RCA to certify qualified providers of public utility and pipeline services.
- A certificate may not be issued unless the RCA finds that the applicant is fit, willing, and able, and that the services are required for the convenience and necessity of the public.



Statutory Exemptions - Electric

- Exemptions from Certification
 - Any utility making less than \$50,000 unless their customer(s) petition for regulation (*AS 42.05.711(e)*)
 - Any Joint Action Agency established by AS 42.45.310 (*AS 42.05.711(o)*)
 - Possibly utilities that receiving a Qualifying Facility (QF) designation from FERC (*Federal Regulation: 18 C.F.R 292.602(c)*)



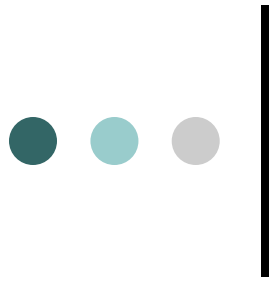
Statutory Exemptions—Electric (continued)

- Exemptions from Economic Regulation
 - Utilities owned by a political subdivision, with exception of a utility competing with a regulated utility (*AS 42.05.711(b)*)
 - Utilities making between \$50,000 and \$500,000 that have a deregulation election (*AS 42.05.711(f)*)
 - Cooperatives that have a deregulation election (*AS 42.05.711(h)*)
 - Utilities that receive a QF designation from FERC (*Federal Regulation: 18 C.F.R 292.602(c)*)



RCA's Role in Current Energy Supply Issues

- Three areas of existing energy issues the RCA is currently involved with will be discussed in the slides that follow. These areas include:
 - (A) Cook Inlet natural gas supplies;
 - (B) Electric utilities current infrastructure needs;
 - (C) Power Cost Equalization (PCE) program.



RCA Role in Cook Inlet Gas

- RCA does not regulate the producers of natural gas in Cook Inlet.
- RCA does evaluate Gas Sale Agreements (GSA) between the utilities and the producers.
- RCA standard of review considers whether the utility acted in a prudent manner, whether the terms of the GSA are reasonable, and whether the GSA ensures reliable and reasonably priced-utility service.



Electric Utilities Infrastructure Needs

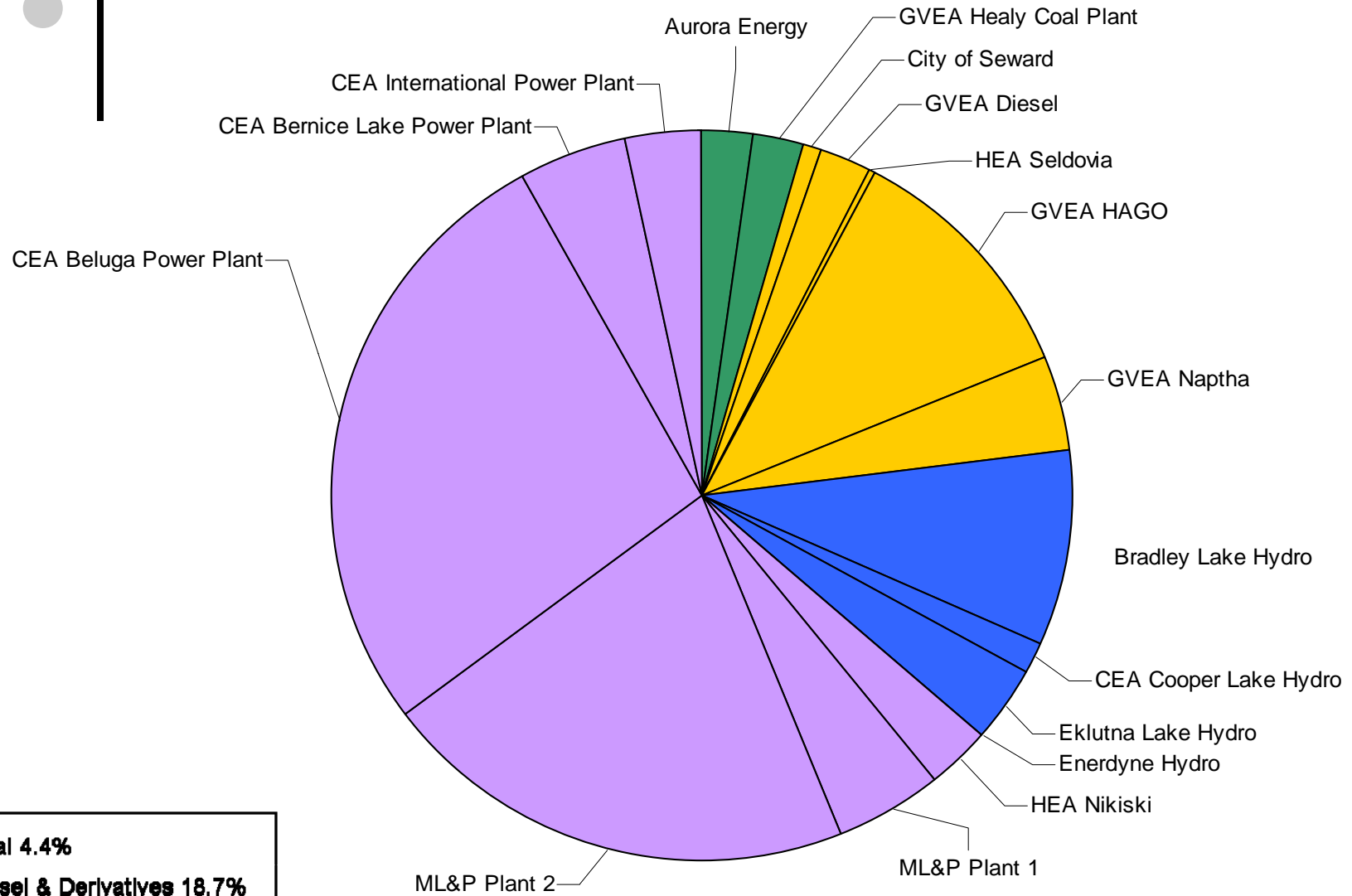
- The Alaska Railbelt Electrical Grid Authority (REGA) Study issued September 2008 estimated cumulative capital investment requirements ranging from \$2.5 to \$8.1 billion over the next 30 years.
- These investments are for generation and transmission expansion and replacement needs of the railbelt utilities.
- The Alaska Energy Authority completed a Railbelt Integrated Resource Plan (RIRP)



Railbelt Integrated Resource Plan

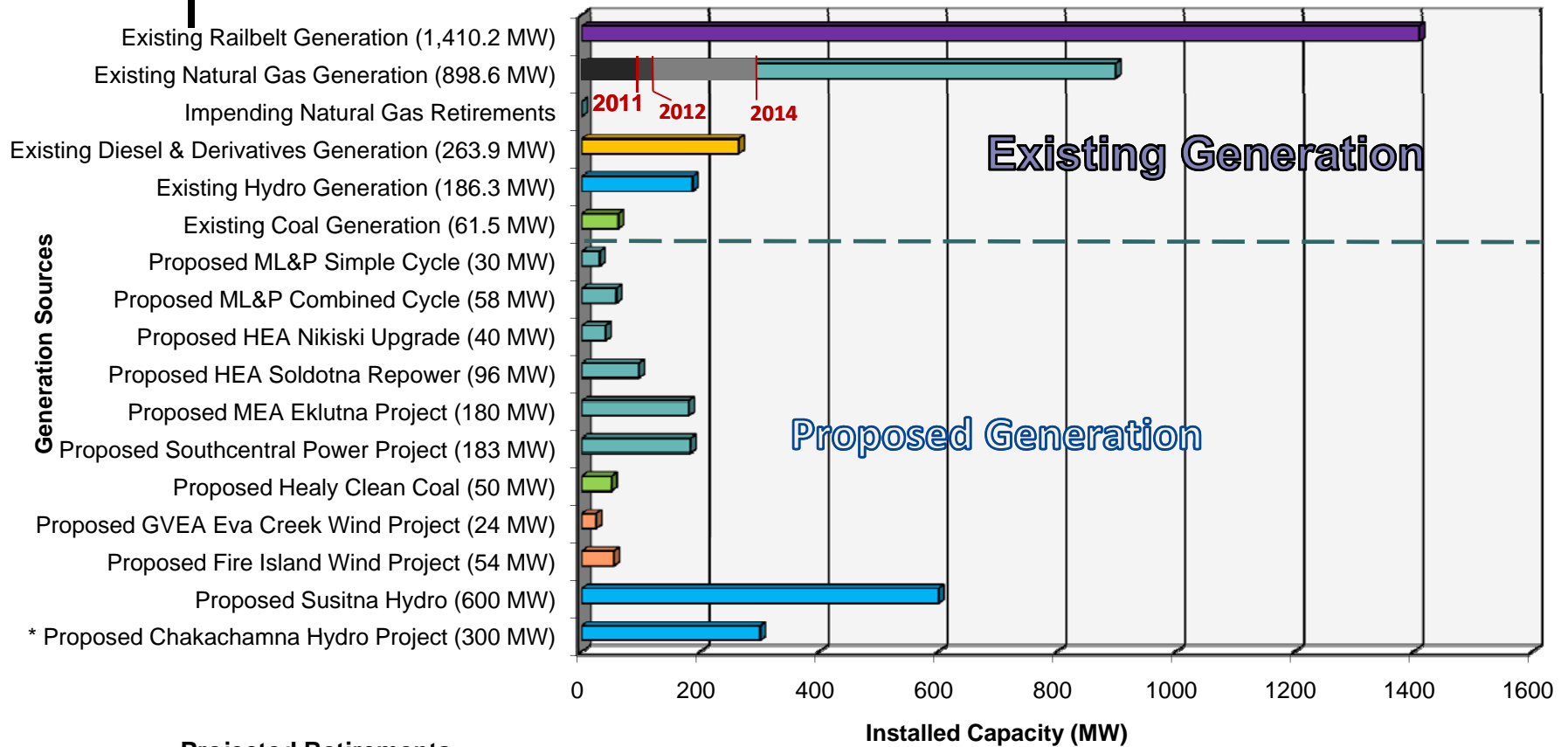
- Based on a 50 year economic plan
- Various generation, transmission and fuel supply options are considered.
- Arrives at a plan to build future infrastructure for minimum long run cost to rate payer.
- Considers fuel supply risks
- Will define capital requirements

Installed Railbelt Generation



■ Coal	4.4%
■ Diesel & Derivatives	18.7%
■ Hydro	13.2%
■ Natural Gas	63.7%

Existing Railbelt Generation & Proposed Projects



Projected Retirements:

- 2011: 67.4 MW
- 2012: 18.5 MW
- 2014: 185.3 MW



Regulatory Issues

○ Firm vs. Non-Firm Power Supplies

- Firm power – a predictable source of power that can be scheduled by a utility and that offsets both fuel and generation capacity expenses (i.e., some hydro, co-generation, geothermal)
- Non-firm power – an unpredictable source of power that cannot be scheduled by a utility. The provision of non-firm power only offsets the use of fuel by the utility. Generation capacity must be maintained to provide power when the non-firm power is unavailable. (i.e., wind, solar, some hydro, tidal)



Greater Railbelt Energy & Transmission Company (GRETC)

- GRETC grew out of the Railbelt Energy Grid Authority (REGA) Study.
- In 2009, Governor Palin introduced legislation to establish GRETC (HB 182 & SB143).
- The Legislature declined to adopt GRETC legislation in 2010.



Current Railbelt Energy Situation

- Limited redundancy
- Limited economies of scale
- Dependence on fossil fuel
- Issues with Cook Inlet gas deliverability and storage



Current Railbelt Energy Situation (cont)

- Aging Generation & Transmission infrastructure
- Inefficient fuel use
- Financing challenges



Power Cost Equalization (PCE) Program

- Under the Power Cost Equalization Program, the State of Alaska pays a portion of the electric bills for consumers served by utilities participating in the program.
- The RCA establishes the PCE rate (cents/KWh) applicable to each utility participant's billings, regardless if the utility is otherwise subject to RCA's economic regulation.
- More than 150 communities participate in the PCE program.



PCE Program

- AS 42.45.110(c)(2) provides that the Commission will, during each fiscal year, adjust the power costs for which PCE may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau, and subject to the statutory ceiling.
- The PCE program is administered by the Alaska Energy Authority (AEA).



Federal Initiatives—2005 EPAct

- The Energy Policy Act of 2005 (EPAct) required state regulatory authorities to consider adoption of five new standards.
- In general, these standards are intended to encourage the development of small and alternative energy sources in addition to promoting efficiency in the generation and distribution of electrical power.



2005 EPAct Standards

- Net metering
- Fuel sources
- Fossil fuel generation efficiency
- Demand response and time-based metering
- Interconnection standards



2005 EPA Act (cont.)

- The RCA considered the federal 2005 EPA Act standards in rule making docket R-06-05
- After receiving public comments and conducting technical workshops, the RCA declined to adopt the EPA Act standards.



2005 EPAct (cont.)

- The RCA did open dockets (R-09-1 and R-09-2) to consider net metering and interconnection standards.
- The RCA goal in R-09-1 (Net Metering) was to create an Alaskan rule that will encourage the development of distributed small-scale renewable generation, while maintaining system integrity and fairly apportioning costs among consumers and consumer/producers.



R-09-01---Net Metering

- The RCA approved new regulations on net metering, with an effective date of June 16, 2010.
- Applies to economically regulated utilities with total retail sales of 5 million kWh or more
- Affected utilities are required to interconnect with eligible customer generation systems.



R-09-01---Net Metering (cont.)

- Capped at 1.5% of average retail demand affected utility system-wide total capacity
- Eligible customer generation systems are limited to total on-site capacity of 25 kw.
- Net metering customers offset their monthly consumption at the retail rate and will receive bill credits at the avoided cost rate when the customers generation exceeds usage.



R-09-02---Interconnection Standards

- The RCA goal in R-09-2 is to create an interconnection standard that recognizes Alaskan conditions, provides uniformity in the interconnection requirements of Alaskan electric utilities, and simplifies the interconnection process for small distributed resources.



R-09-02---Interconnection Standards

- Participating Alaskan utilities have shown significant interest in developing a statewide standard for interconnection of independent power producers.
- A technical conference was held on July 12, 2010.
- Draft interconnection regulations will soon be brought before the Commission for consideration.



Energy Independence and Security Act of 2007 (EISA)

- EISA required state regulatory authorities to consider adopting four new standards.
- These standards resulted from the amendments to the Public Utilities Regulatory Policies Act of 1978 (PURPA) in EISA.



New PURPA Standards in EISA

- Integrated Resource Planning
- Rate Design Modification to Promote Energy Efficiency Investments
- Consideration of Smart Grid investment
- Smart Grid Information



EISA Standards and the RCA

- The RCA opened rule making docket R-09-05 to consider the EISA standards.
- RCA staff recommended the RCA decline to adopt the proposed federal standards.
- These recommendations were available for review and public comment through December 9, 2010.



Challenges Ahead for the RCA

- Telecommunications issues
- Major capital investments by utilities
- Struggling rural utilities
- Renewable energy goals
- Cook Inlet gas
- TAPS strategic reconfiguration and rate cases
- RCA staffing issues