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April 11, 2016

House Labor and Commerce Committee
Alaska State Capitol
Juneau, Alaska 99801

Members of the House Labor and Commerce Committee:

Alaska Power Association took a neutral stance on Senate Bill 193 when the legislation included a sunset date of January 1, 2020. We took a neutral position because we understood the bill's intent was to expedite the addition of renewable energy while a federal tax credit window was open.

APA strongly urges the House Labor and Commerce Committee to restore the January 1, 2020, sunset date that was included in the Senate Special Committee on Energy's Committee Substitute for SB 193 (29-LS1513\W).

Subsequent removal of the sunset date in SB 193 has caused APA members great concern, for the reasons stated below and due to the fact that as conditions and energy circumstances in the state change, there would be no reevaluation of the RCA exemption benefiting Independent Power Producers (IPP) under AS 42.05.711(r).

- The Senate Special Committee on Energy's version of SB 193 included a sunset that coincided with the expiration of a federal tax credit for wind. Tying the sunset in SB 193 to the federal tax credit has logic.
- The bill, as now written, allows for certain IPPs to be exempt from regulation in perpetuity, removing a regulatory check without the ability to reassess the deregulation at a sunset date.
- Removing the sunset in SB 193 would allow for an open-ended statute that:
 - exempts a facility that sells its output to one or more regulated electric utilities. Sales to multiple electric utilities raise concerns about preventing the facility from discriminating among customers with respect to rates, terms, or conditions of service.
 - exempts a facility even if it is closely affiliated with a regulated electric utility to which it sells power. That raises additional concerns about the potential for discriminatory preferences among the electric utilities that purchase power from the facility.

- precludes affected electric utilities from having input on determining whether the exemption of a particular project is justified.
- impairs the RCA's ability to ensure that the facility's rates, terms, and conditions of service are just, reasonable, and non-discriminatory, particularly when the facility sells power to multiple electric utilities.

A separate concern of APA is that the 65 MW exemption threshold in SB 193 is too high for Alaska. The potential justification for exemption from regulation for a smaller renewable resource facility is different than one that applies to a large 65 MW facility.

The above circumstances could lead to unfair and unintended advantages for IPPs and potential risks to ratepayers. As noted, the CS currently before the House Labor and Commerce Committee was passed without notice to interested parties, preventing APA and its members from bringing our concerns forward during the bill's final committee hearing in the Senate.

APA urges the House Labor and Commerce Committee to restore the January 1, 2020, sunset date that was included in the Senate Special Committee on Energy's Committee Substitute for SB 193 (29-LS1513\W).

Sincerely,

A handwritten signature in blue ink, appearing to read 'Crystal Enkvist', with a stylized flourish at the end.

Crystal Enkvist
Executive Director