

GRETC REGULATORY STATUS

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Regulation is multifaceted

Many Regulatory Issues
Are
Interrelated

Match Regulatory Tools
to Problems

HOW DOES GRETC STACK UP?

REGULATORY GOALS

Protect consumers

Prevent monopoly prices
Contain utility investments

Lower costs to consumers

Operating

Capital

Consumer protection issues
Rate discrimination

UNDER GRETC

GRETC utilities are the consumers

Customer utilities have other options
GRETC will act in compliance with RIRP

GRETC utilities as directors have no interest
in overinvestment
Lenders have strong interest in “right-sized”
plant

GRETC will benefit from economies-of-scale

GRETC utilities have no interest in high
operating costs

GRETC will offer superior risk profile for
investors
GRETC will have greater access to capital

GRETC will not serve retail customers
Statutory provisions to protect

MORE REGULATORY GOALS AND RESPONSES

Guarantee recovery of investment

Statutes define ratemaking process

Correct market failure

Ensure service availability

GRETC to coordinate transmission

Prevent duplicate facilities

GRETC through RIRP will have superior capability

Safety, environmental goals

GRETC subject to state laws

Promote economic development

GRETC was conceived to promote economic prosperity

ADDITIONAL REGULATORY PRINCIPLES AND CONSIDERATIONS

Cost-based rates

GRETC is a non-profit entity - not an investor-owned utility

No private for-profit motive

Public utility members – GRETC directors – will be all
cooperatives and municipalities

SHORTCOMINGS OF ECONOMIC REGULATION

Significant regulatory lag

Often cited by lenders as a major risk factor that many times results in higher financing costs

Creates mismatches among customers

Significant direct costs in proceedings

Regulatory process is paid by consumers

Benefits of regulating GRETC are difficult to identify

Costs to consumers are significant

Regulatory Risk

Financing costs

Fuel supply

Inventory contracts

Inconsistent application of the law