ALASKA RAILBELT COOPERATIVE TRANSMISSION & ELECTRIC COMPANY

Prepared Remarks of the Alaska Railbelt Cooperative Transmission and Electric Company on Alaska House of Representatives Bil HB 78: *"Alaska Competitive Energy Act of 2015".* Presented to the Alaska House of Representatives Special Committee on energy March 3, 2015.

Thank your for providing me with the opportunity to address you today 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 by four railbelt utilities to address industry issues of mutual concern. Our members are Golden Valley Electric Association, Matanuska Electric Association, Chugach Electric Association and the City of Seward, Alaska. 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 am before you today to speak in opposition to HB78 the "*Alaska Competitive Energy Act of 2015*" not because ARCTEC does not support the basic principles of open transmission access and competition; we do. We believe that independent producers can manage risks and innovate in ways our existing utilities may not. It is in all of our interests to create a regulatory environment that is transparent and fair both to new private investors and our existing customers.

However, our view is that HB78, though well intended, is not the appropriate vehicle to achieve our mutual goals of low cost, reliable and sustainable energy and the economic development opportunities it affords.

My comments will address four primary topics:

1. The detailed implementation outlined in the bill is best left to the RCA. It is an undeniable fact that workings of the electric system are complicated, and it is unlikely that a single prescriptive piece of legislation can optimally address the myriad circumstances that the RCA deals with every day. We believe legislation

should focus on “What” we are trying to accomplish and leave “how” we get there to regulators. In fact, the RCA is working on just these details in its R13-02 docket.

2. The bill contains a number of ambiguities and potential unintended consequences, which are likely to *reduce* clarity for stakeholders, not increase it. For example, Bill Section 9 proposes changes to AS.42.05.221 to replace the word “Customer” with a new term “end user” which is then defined to exclude “industrial use” and “bulk buyers of electricity”. Is it the legislature’s intent to create a new distinction between “industrial” customers and other classes of user? Is it clear what a “bulk buyer” is, or is it in the eye of the beholder?

Bill Section 14 proposes changes to AS. 42.05.381 that would, in most cases, disallow utilities from recovering the costs of “…adjudicatory proceedings or judicial actions against a qualifying facility or independent power producer…”. Is it the intent of the Legislature to prohibit utilities from EVER having a dispute with a QF or IPP, regardless of the circumstances?

These are just two examples. How will these ambiguities be sorted out? How will customers benefit, if each of these points must be hashed out through the courts instead of through an orderly regulatory process? Rather than creating a stable regulatory framework, we believe the Bill could actually have the opposite effect.

3. Most of the provisions of the bill are already covered by Federal Law or the RCA’s recently proposed rules in R-13-02 (the IPP Docket), so at best much of the Bill is redundant, at worst it is in conflict with existing statutes/ regulations. Some of the Bill’s proponents have stated that part of HB78’s intent is to “harmonize” State law with The Federal PURPA Law. This makes no legislative sense. PURPA is indeed Federal Law, and it applies in Alaska just as it does in the rest of the United States. If our objective is to be “more like PURPA”, we don’t need a new law; we need to enforce the existing one.

Furthermore, the RCA, is in the final stages of issuing guidance on many of these very issues. What will be the outcome if those regulations are ultimately found to conflict with the provisions of this Bill? We believe it is most appropriate to defer to the RCA’s process, which has thoughtfully reviewed reams of evidence and hours of testimony on this topic.

4. Finally, HB 78 doesn’t get to the real, fundamental problem in the railbelt: a lack of robust infrastructure and a regulatory framework that will allow energy to economically flow to *where* it is most needed, *when* it is most needed. The Legislature should focus its efforts on enabling law that sends clear direction to the RCA to implement a stakeholder governed *Independent or Unified System Operator* model that is based on a set of broadly accepted guiding principles. A new regulatory paradigm, governed by a USO will provide the level playing field and regulatory stability to needed to create real opportunity for independent power producers. It will allow the State to attract

capital for needed infrastructure. It will enable additional economic activity. And most importantly, implementing a USO in the railbelt will help us to better provide low cost, reliable and sustainable energy to our residents, members and taxpayers.

Thank you again for the opportunity to address you today.