

March 3, 2015

Representative Liz Vazquez
Co-Chair of the House Special
Committee on Energy
State Capitol
Room 428
Juneau, AK 99801

Representative Jim Colver
Co-Chair of the House Special
Committee on Energy
State Capitol
Room 424
Juneau, AK 99801

Re: Comments of Chugach Electric Association ("Chugach") on HB 78 – "An Act Bearing the Short Title of the 'Alaska Competitive Energy Act of 2015'"

Dear Representatives Vazquez and Colver:

Due to various regulatory proceedings at the Regulatory Commission of Alaska ("Commission"), Chugach has not had the opportunity to appear before the House Energy Committee hearings on HB 78. With continued commitments before the Commission over the next few weeks, Chugach thought submitting written comments would assist the Committee in its consideration of HB 78. While Chugach supports efforts to provide mechanisms for lowering costs to electric ratepayers, several ongoing regulatory efforts appear to provide avenues for considering all of the issues raised in HB 78, at least with respect to the Railbelt transmission system. As a result, Chugach opposes HB 78 in order to prevent the duplication of effort and potential for inconsistent policy decisions on these important electric policy issues.

The two most important regulatory efforts at the Commission that address issues raised in HB 78 are:

(1) the docket opened on February 27, 2015 to address an independent system operator for the Railbelt transmission system, In the Matter of the Evaluation of the Operation and Regulation of the Alaska Railbelt Electric Transmission System, Docket I-15-001; and

(2) the proposed regulations presented by Commission staff in Docket R-13-002 designed to bring Alaska's regulations implementing the Federal Public Utility Regulatory Policy Act of 1978 ("PURPA") up to date to reflect changes made by the Federal Energy Regulatory Commission ("FERC") to its regulations over the last several years.

In its order opening Docket I-15-001, the Commission requests that each Railbelt utility answer questions arising from the Legislature's directive in Chapter 18 SLA 14 Section 31(b) to determine "whether creating an independent system operator or similar structure for electric utilities in the Railbelt area is the best option for effective and efficient electric transmission." In addition to the utilities, the Commission also asks the Attorney General, the Alaska Power Association, the Alaska Energy Authority, independent power producers, and other interested

persons, to participate in the docket and answer the Commission's questions. Chugach supports the concept of an independent/unified system operator, for many reasons, including that it would allow for least-cost economic dispatch of generation so all Railbelt electric customers benefit, identification and implementation of cost-effective system upgrades and the independent operation of the system including interconnection and integration. Chugach will be filing comments in the docket that fully illustrate the benefits of, and Chugach's reasons for supporting, that approach to operating the Railbelt transmission system.

In public hearings on February 11 and 25, 2015, the Commission considered in IPP Docket R-13-002, its staff's proposed new changes to its regulations implementing PURPA, 3 AAC 50.750-820. The proposed changes would bring Alaska up to date with the revised Federal regulations. Specifically, the proposed regulations, among other things, would:

- require the same level of transparency and reporting obligations as FERC for about 20 Alaska utilities' "avoided cost;"
- address interconnection costs and integration fees in a reasonable, non-discriminatory way; and
- update the definition of avoided cost to include incremental cost as FERC does.

Considering that these are the areas addressed by HB 78, Chugach expects that the Commission's proceedings on the proposed regulations will result in the same playing field under PURPA as found in other states and likely eliminate any concerns HB 78 might be intended to address.

Finally, on issues such as those raised by these dockets, Chugach recognizes the Commission has specialized expertise in these types of complex matters, staff resources to fully investigate all positions, and established processes for allowing input from all parties to develop a useful record. Chugach fully expects the Commission will utilize this record to set a path forward and inform the Legislature at the same time.

Thank you for the opportunity to present these comments.

Respectfully submitted,

CHUGACH ELECTRIC ASSOCIATION, INC.



Bradley W. Evans
Chief Executive Officer