

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 4, 2008

3:06 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Carl Gatto
Representative Gabrielle LeDoux
Representative Jay Ramras
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING

Regulatory Commission of Alaska (RCA)

Robert M. "Bob" Pickett - Wasilla

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ROBERT PICKETT, Appointee
Regulatory Commission of Alaska (RCA)
WASILLA, ALASKA

POSITION STATEMENT: As appointee to the Regulatory Commission of Alaska (RCA), provided background and answered questions.

ACTION NARRATIVE

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at [3:06:08 PM](#). Representatives Buch, Gardner, Gatto, Neuman, and Olson were present at the call to

order. Representatives LeDoux and Ramras arrived as the meeting was in progress.

CONFIRMATION HEARING

Regulatory Commission of Alaska (RCA)

3:06:24 PM

CHAIR OLSON announced that the only order of business would be to hold an informational hearing. He advised that no action will be taken at this hearing.

3:06:34 PM

ROBERT PICKETT, Appointee, stated that it has been a great honor and very humbling experience to have been appointed to the Regulatory Commission of Alaska (RCA) by Governor Palin. He stated that he is a 33 year resident of Alaska. He offered that he owes much to this great state. He explained that his original motivation to visit Alaska in 1975 was to pay off college student loans. He said he did not plan on staying in Alaska, but soon after arriving in Alaska that he fell in love with the state. He has held blue collar, technical, and professional jobs in rural and urban settings of the state. He noted that for the past 21 years he has held a variety of positions for the Alaska Housing Finance Corporation (AHFC). He appreciates the great challenges the state faces and the opportunities that exist for Alaska. He said that the RCA, with its broad authority to regulate nearly 200 utilities and 21 pipeline carriers, impacts the economic health of Alaska. The RCA has a challenging mandate to keep rates as low as possible yet to allow the regulated utilities and pipeline carriers the opportunity to earn a fair rate of return. The RCA must conduct its business in a manner that has the confidence and respect of all stakeholders: consumers and customers, utility companies and cooperatives, local governments, pipeline carriers, legislative, executive, and judicial branches of government. Balancing all of these varying interests must be accomplished within statutory timelines and in an open and transparent manner while respecting the due process rights of all of the involved parties, he noted. These competing and sometimes conflicting interests can be difficult to resolve, he opined. He said he believes that his work experience, knowledge, and interpersonal skills give him the temperament and ability to strike this balance. He said he is excited to bring his skills and experience to the RCA, to assist it in its important work, and to contribute in a meaningful way.

3:10:01 PM

REPRESENTATIVE NEUMAN inquired as to whether Mr. Pickett has any background in the oil and gas industry.

MR. PICKETT explained that he does not have direct experience in the oil and gas industry, outside of some initial work in the state for Dowl Engineers and geotechnical work on the Tesoro refinery in 1979. However, he said that he has extensive experience reviewing and analyzing balance sheets for large entities and corporations, producing 30 year performance and trend analyses, although not specifically with a petroleum industry or pipeline element. While at AHFC, he said he developed a new market study process that is currently being used. He highlighted that some of the projects he has been involved in range from \$25 million. Many of the principles used at the RCA will be the same, he opined. He admitted that he does not have the specific background in the oil and gas industry, but he noted that he does have the advantage of working with a fellow commissioner, Jan Wilson, who has more than 25 years of experience in the pipeline industry. He noted that he is currently assigned to several RCA dockets with Ms. Wilson. He characterized his own approach as a thoughtful approach in gathering evidence. He opined that as a voracious reader, he has developed skills which will be helpful in terms of number of dockets and evidence to review. He noted that he also has experience with depreciation schedules and has a strong mathematical background.

REPRESENTATIVE NEUMAN inquired as to whether he could elaborate on the joint action agencies (JAAs).

MR. PICKETT answered that the JAAs are permitted but are not mandated by statute. He related his understanding that specific projects have not been assigned or contracted. He noted that the Alaska Energy Authority, with an appropriation from the legislature, is performing its Unified System Operator Study. He surmised that report is due to be finalized in May or June 2008.

3:13:00 PM

REPRESENTATIVE NEUMAN inquired as to Mr. Pickett's ideas of the concept of electrical generation joined together in a cooperative effort to form a grid.

MR. PICKETT explained that he can't speak to any specifics since it would not be appropriate for him to do so, but in terms of resource planning, the age of the infrastructure, and the capital decisions that need to be made in the next few years, that it makes sense to cooperate, coordinate, and eliminate inefficiencies whenever possible.

REPRESENTATIVE NEUMAN asked for clarification of RCA's role in regulatory review of utilities since some utilities generate their own electricity and others purchase the electricity.

MR. PICKETT answered that the RCA will respond to specific cases and dockets. He reiterated that the JAA is permitted but not mandated.

CHAIR OLSON reminded members that Mr. Pickett cannot answer any questions on any open docket currently before the RCA.

[3:14:50 PM](#)

CHAIR OLSON noted that the RCA does not have designated seats and expressed concern that the RCA is losing 25 years of experience with Dave Harbour's service at the RCA ending in February 2008. He inquired as to whether Mr. Pickett has had an opportunity to review the Alaska Gas Inducement Act (AGIA).

MR. PICKETT answered that he has not reviewed AGIA in any great detail.

[3:15:49 PM](#)

REPRESENTATIVE GATTO related his understanding of the recent plans to shelve the Matanuska Electric Association's plans to build a coal-fired power plant south of Palmer, which was stymied by a Matanuska-Susitna Borough ordinance. He inquired as to whether Mr. Pickett has been involved with any utility request that simply wasn't feasible.

[3:17:20 PM](#)

MR. PICKETT answered that due to his recent appointment to the RCA that he has not been involved with those issues. He reminded members that he cannot speak to the specifics of any docket since it would prejudice the RCA's decision making process. However, he said that in a general sense that significant decisions need to be made by cooperatives and the

state in terms of supply of energy, in light of aging equipment, infrastructure, and capital decisions.

MR. PICKETT, in response to Representative Gatto, explained that the RCA becomes involved in a project, such as the Energy Task Force consideration of a 600-megawatt Susitna Hydroelectric project, at the point that a docket is opened and the RCA is asked to adjudicate.

[3:18:48 PM](#)

REPRESENTATIVE RAMRAS inquired as to whether Mr. Pickett has any experience with rate deregulated utilities.

MR. PICKETT pointed out that he has limited experience at the RCA and has limited knowledge of the RCA's precedent. He answered that he knows a little bit about deregulated utilities. In terms of economic regulation, he noted that several exemptions exist such that cooperative memberships can elect for an exemption or for some smaller water utilities due to size limitations.

[3:19:51 PM](#)

REPRESENTATIVE RAMRAS related that the gas utility in Fairbanks is a rate deregulated utility that currently trucks LNG from Point MacKenzie to Fairbanks and re-gasifies it for distribution to more than 1,000 customers. He expressed concern that the Fairbanks Natural Gas refuses to disclose its variable pricing, but purchases LNG at \$8.70 [per 1000 cubic feet (Mcf)]and sells it to customers in his district for \$22.91 [per Mcf]. He inquired as to whether a rate deregulated utility has an implied obligation to disclose the rate process to its ratepayers since the utility enjoys the benefits of rate deregulation.

[3:22:54 PM](#)

MR. PICKETT, speaking as a private person, answered that he thinks a fairness issue exists. He noted he is well aware of the strains on Fairbanks residents for fuel costs, particularly for senior citizens on fixed incomes.

REPRESENTATIVE RAMRAS again expressed concern that Fairbanks Natural Gas will not disclose the reason for the difference in the rate of \$8.70 per Mcf and cost to customers at \$22.91 per Mcf, yet it enjoys the benefits of rate deregulation.

MR. PICKETT agreed that from his personal philosophical standpoint that rate deregulated companies should have a higher degree of financial disclosure.

[3:27:56 PM](#)

REPRESENTATIVE NEUMAN asked if there are some instances in which certain proprietary information should be made public.

MR. PICKETT answered that he cannot speak to the specifics of dockets, but offered that in instances of acquisition that requests are made to keep certain elements confidential and that the RCA has a process in place to make determinations, in conjunction with its legal counsel, as to what information is held confidential.

[3:29:19 PM](#)

REPRESENTATIVE BUCH offered that when a person who has specific expertise in an area is not available that the selection process includes examining candidates for their potential to learn. He opined that it is unfair to hold deregulated companies to the same requirements as those companies subject to regulation.

CHAIR OLSON offered that the former Alaska Public Utilities Commission had specific assigned seats for its commissioners. However, the RCA does not have specific assigned seats or job descriptions for the RCA commissioners.

[3:34:16 PM](#)

MR. PICKETT, in response to Representative Ramras, answered that if the state makes a political decision to invest in the bullet line to bring North Slope natural gas to the Railbelt or some other variation, that the state will make a determination in its appropriation process on its expected rate of return on that investment. If the state does not require as high a rate of return the tariffs could be set lower to encourage more input into the line from independent exploration, but if the state's approach is to maximize its return, it would raise the tariffs, he opined.

REPRESENTATIVE RAMRAS related that one of the problems with the in-state gas line is concern over economically feasible. He inquired as to the type of assistance or role that RCA would play in assisting or expediting financial feasibility analysis

of in-state natural gas that made sense and had sound economic underpinnings.

[3:36:58 PM](#)

MR. PICKETT answered that the RCA would probably take an educational role in terms of the rate setting and tariff mechanism so the legislature would understand how RCA would evaluate and determine the tariff calculations.

[3:37:24 PM](#)

REPRESENTATIVE RAMRAS opined that if Interior Alaska does not obtain relief from its utility rates, that the community will be drastically reduced.

[3:39:29 PM](#)

REPRESENTATIVE NEUMAN inquired as to what role RCA might play in value-added or industrial or commercial uses of natural gas to liquids (GLTs) or natural gas liquids (NGLs) processing plants to help lower the tariff costs.

[3:41:09 PM](#)

MR. PICKETT, in response to Representative Neuman, answered that assuming the cost feasibility allows the natural gas pipeline to be built, that the RCA would be likely be involved in the rate design issues for residential, industrial, and commercial users as one of its major roles. He offered that the general principle for rate design issues is that "the cost causer should be the cost payer."

REPRESENTATIVE NEUMAN asked for clarification on unfair trade practices and tariffs. He posed a scenario in which natural gas would be transported via a proposed in-state bullet line to an industrial user who reprocesses GTL for resale compared to those businesses whose natural gas source is Cook Inlet. He inquired how the RCA would sort through those types of issues and balance out businesses that may have an unfair advantage.

MR. PICKETT stated that he doesn't have an answer on in-state gas issues. He stated that the first question will be whether the RCA would have jurisdiction over the matter. If the RCA does have jurisdiction, the question would be whether the RCA would need to open a docket and investigate any inconsistencies.

[The RCA confirmation was held over.]

3:43:48 PM

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:43 p.m.