

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON ENERGY**

February 24, 2009  
3:06 p.m.

**MEMBERS PRESENT**

Representative Bryce Edgmon, Co-Chair  
Representative Charisse Millett, Co-Chair  
Representative Nancy Dahlstrom  
Representative Kyle Johansen  
Representative Jay Ramras  
Representative Pete Petersen  
Representative Chris Tuck

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

Regulatory Commission of Alaska presentation on how agency regulates existing sources of energy & its potential role in regulating new sources of energy in Alaska

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

ROBERT PICKETT, Chairman  
Regulatory Commission of Alaska (RCA)  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a presentation on the RCA's role in regulating energy in Alaska.

**ACTION NARRATIVE**

[3:06:40 PM](#)

**CO-CHAIR BRYCE EDGMON** called the House Special Committee on Energy meeting to order at 3:06 p.m. Representatives Petersen, Tuck, Dahlstrom, Ramras, Johansen, Millett, and Edgmon were present at the call to order.

Regulatory Commission of Alaska presentation on how agency regulates existing sources of energy & its potential role in regulating new sources of energy in Alaska

CO-CHAIR EDGMON announced that the only order of business would be a presentation by the Regulatory Commission of Alaska (RCA).

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ROBERT PICKETT, Chairman, Regulatory Commission of Alaska (RCA), Department of Commerce, Community & Economic Development (DCCED), stated that his topic today, "RCA Role in Regulating Existing and New Sources of Energy in Alaska," is timely considering the dramatic fluctuation in the energy market over the last 12 months. Furthermore, the state has many critical regulation issues to address at this time. Mr. Pickett explained that the RCA is charged with regulating a wide range of economic activities in the state, and has a direct impact on more than \$1 billion of economic activities. Currently, the RCA monitors 651 Certificates of Public Convenience and Necessity (CPCNs). He informed the committee that the RCA was created by the legislature in 1999 with the broad authority to regulate public utilities and pipeline carriers throughout the state. The commission consists of five commissioners appointed by the governor and confirmed by the legislature for a six-year term. Under AS 42.05.141(a), the regulatory commission may do all things necessary or proper to regulate every public utility engaged, or proposing to engage, in a utility business inside the state. Mr. Pickett also provided the statutory definition for a public utility and noted the clear definition is needed to determine what new energy projects may be exempted from, or subject to, RCA jurisdiction.

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CO-CHAIR EDGMON asked for clarification on the RCA's ability to oversee fuel suppliers and distributors.

MR. PICKETT responded that there appears to be some statutory authority to engage with these actions; however, the RCA is already laden with responsibilities.

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CO-CHAIR EDGMON called attention to the high fuel prices in Western Alaska and the disparity of fuel prices in different

regions of the state. He asked whether the RCA, if sufficiently staffed, could oversee the transportation and delivery of fuel.

MR. PICKETT acknowledged oversight may be possible; in fact, through the Power Cost Equalization program (PCE), the RCA currently has some level of review with the electric utilities.

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MR. PICKETT returned to his presentation and directed attention to "Definition of Public or General Public" in AS 42.05.990(3); and "Certificate of Public Convenience and Necessity (CPCN)" in AS 42.05 (public utilities) and AS 42.06 (Pipeline Act).

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REPRESENTATIVE RAMRAS inquired as to the legal meaning of "fit, willing, and able" in the context of building a [gas pipeline] and recognizing the ability of an entity, such as the Alaska Natural Gas Development Authority (ANGDA), or ENSTAR Natural Gas Company (ENSTAR), to qualify for a certificate to provide pipeline services.

MR. PICKETT advised "fitness" encompasses the administrative and managerial ability for the enterprise being proposed; for example, the service area. There is also a financial "fitness" test to determine whether the financial capability exists to complete the project and provide the pipeline service. Further, "able" measures the ability of the project sponsor.

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REPRESENTATIVE RAMRAS recalled that this is the contention he had when ANGDA presented its \$250 million [proposal]. He opined that ANGDA did not meet the fit, willing, and able threshold. Representative Ramras requested further discussion on this topic at the conclusion of the presentation.

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MR. PICKETT, continuing his presentation, "Statutory Exemptions - Electric" then reviewed exemptions from certification that are: any utility making less than \$50,000 unless their customers petition for regulation; any joint action agency; and utilities that have received a Qualifying Facility (QF) designation from the Federal Energy Regulatory Commission (FERC).

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REPRESENTATIVE TUCK asked whether a joint action agency that is exempt from certification is also exempt from RCA authority.

MR. PICKETT concurred. Then, in further response to Representative Tuck, he clarified that if the joint action agency is exempt under the statute provision, it is also exempt from the CPCN certification by the RCA.

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REPRESENTATIVE PETERSEN asked for an example of a joint action agency.

MR. PICKETT related his understanding that it is a provision under statute in which utilities can come together and create an entity for the production of energy for resale to a local distribution utility.

REPRESENTATIVE PETERSEN further asked whether the joint action agency clause applies to the governor's proposed consolidation of the Railbelt utilities.

MR. PICKETT said he did not believe so, although he said he has not seen the most recent version of the proposed legislation. A previous version of the proposed legislation contained a role for the RCA.

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MR. PICKETT continued with the slide entitled "Statutory Exemptions - Electric" and discussed the exemptions from economic regulation that are: utilities owned by a political subdivision, with exception of a utility competing with a regulated utility; utilities making between \$50,000 and \$500,000 that have a deregulation election; cooperatives that have a deregulation election; and utilities that receive a QF designation from FERC. Mr. Pickett listed utilities that the RCA regulates: natural gas distribution; natural gas pipelines; electric power generation, transmission, and distribution; water and sewer; telephone; and solid waste. Pipelines regulated by the RCA are: crude oil pipelines; petroleum product pipelines; and natural gas pipelines.

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REPRESENTATIVE RAMRAS recalled the energy committee meeting in Kotzebue during which public testimony was heard on the state's energy plan. Witnesses testified that food prices in Kotzebue were higher than food prices in Nome. Moreover, it was lamented that unlike Fairbanks, there is often only one purveyor of fuel oil in rural communities. He asked Mr. Pickett for progressive steps that could be taken by the RCA to better regulate single-distributors of fuel oil. Representative Ramras remarked:

... what kind of statute, what kind of committee bill could we do, what kind of remedy could the RCA produce ... if we had, if we gave you the statutory authority and we gave you whatever manpower was necessary? It is entirely unacceptable, in this legislator's point of view, what's going on out in the Bush as it relates to the price of fuel, and with no other distributor there, what is clearly a monopoly ...

MR. PICKETT affirmed that the RCA has seen the high fuel prices, although the PCE subsidy acts like a shock absorber to take away some of the dramatic increase in the cost of electricity. However, there is no such protection for heating fuel. He advised that [a remedy] would start with directives and regulations from the legislature, then would be decided by the concurrence of at least three of five commissioners. Mr. Pickett opined the RCA, given sufficient impetus, could look into this situation; however, the RCA is driven by statutory deadlines that must be met with its existing staff. In fact, the agency is already dealing with unfunded mandates from the state and federal governments. He concluded that the RCA must comply with what the legislature directs.

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REPRESENTATIVE RAMRAS encouraged the committee to explore expanding the statutory authority for the RCA, through legislation, so that it may address the issue of fuel provided by a sole source in the rural communities of Alaska.

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CO-CHAIR EDGMON announced the March 12th energy committee hearing will be on the subject of fuel prices. He expressed his hope that the testimony from fuel providers regarding shipping and storage will provide answers to questions that simple economics do not.

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MR. PICKETT addressed the slide entitled "RCA's Role in Current Energy Supply Issues." There are three areas of energy issues to be discussed; the first is Cook Inlet natural gas supplies. The RCA does not regulate the producers of natural gas in Cook Inlet, although it does evaluate the gas sale agreements (GSAs) between the utilities and the producers to ensure just and reasonable terms. The RCA standard of review considers whether the utility acted in a prudent manner, whether the terms of the GSA are reasonable, and whether the GSA ensures reliable and reasonably priced utility service. As directed by AS 42.05.431(a), the RCA is required to determine whether a GSA, or a particular term within such an agreement, is unjust, unreasonable, unduly discriminatory, or preferential. This determination must be viewed in the context of the Cook Inlet which is unique among regional natural gas markets in the U.S. in that it is a stranded gas market.

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CO-CHAIR MILLETT recalled that the RCA recently approved a 22 percent rate increase for ENSTAR Natural Gas Company in Anchorage and asked whether the aforementioned considerations were the basis for that determination.

MR. PICKETT said no. He explained the increase is a result of legacy gas contracts. In fact, the RCA did not approve ENSTAR's latest five-year contracts by Marathon Oil Corporation and ConocoPhillips Alaska, Inc.; therefore, under the terms of its tariff, and as long as it did not exceed the weighted average cost of gas, ENSTAR was able to enter into two-year agreements without RCA approval. He pointed out that the 22 percent increase is for a bundle of contracts, such as those going back to 2002, and legacy contracts that are tied to petroleum indices.

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REPRESENTATIVE PETERSEN asked whether the RCA is currently reviewing agreements between ENSTAR and the producers at Cook Inlet that might impact prices of natural gas in the Railbelt area.

MR. PICKETT advised the only gas supply agreement currently before the commission is an emergency supply provision from

Chugach Electric Association. He was unsure whether ENSTAR has received responses in its search for gas.

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REPRESENTATIVE TUCK provided a document from ENSTAR, entitled "Facts about higher gas costs." The document stated ENSTAR income comes from the transportation of natural gas, not from the sale of gas.

MR. PICKETT agreed. He added that ENSTAR does not put a "mark-up" on the sale of gas, but would have no business without gas. In further response to Representative Tuck, he said that trying to determine ENSTAR'S profit from a diagram would be a mistake. He would need to look at ENSTAR'S financials to determine its profit from the transportation of gas and ENSTAR'S financing structure is unknown to him. The gas sale agreements need to generate cash, but more information is needed to verify ENSTAR'S profit margin.

REPRESENTATIVE TUCK again referred to the document and gave an example using a transportation company that is delivering hay. He said in that case, the transportation company only charges for the delivery of the hay; however, the ENSTAR document indicates the cost of delivering the gas to customers is \$0.10, with an additional \$0.03 for taxes and \$0.04 for "ENSTAR income." Representative Tuck surmised the profit margin would be \$0.04 divided by 17, and asked for the formula used by the RCA to determine profit margin.

MR. PICKETT explained that when the RCA investigates a rate case, it reviews a full range of numbers, such as the actual depreciated cost of the system and other aspects of the business as a whole. He pointed out ENSTAR would have some expense in securing the supply of the natural gas and financing charges; however, he could not say how much those expenses would be.

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CO-CHAIR EDGMON observed the RCA organizational chart indicates there are three staff for financing and certification processing. Referring to Mr. Pickett's earlier testimony that the RCA regulates over \$1 billion worth of commerce, he asked whether there was a lot of work for three staff.

MR. PICKETT agreed and noted that several vacancies have been difficult to fill; the RCA legislative task force reported on a

classification study underway that is addressing the positions the RCA has not been able to fill. He concluded that the RCA is "very leanly staffed."

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MR. PICKETT, in response to Co-Chair Edgmon, affirmed that the rate of return for a utility company or a pipeline carrier is an important part of the certification process. He further explained the RCA reviews the capital structure - the split between debt and equity - of a company and what are reasonable returns on equity in comparable enterprises.

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REPRESENTATIVE DAHLSTROM recalled serving on the RCA task force and learning how difficult it is for the agency to offer competitive salaries. She asked that committee members be provided with a copy of the recommendations made by the task force.

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REPRESENTATIVE JOHANSEN related his discomfort discussing the document provided by Representative Tuck, because it was just received and he does not know its source.

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CO-CHAIR EDGMON suggested that the committee review protocol.

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REPRESENTATIVE PETERSEN recalled previous testimony that the RCA wanted to compare the natural gas production of Cook Inlet with four other regions in North America. He asked Mr. Pickett to explain this comparison and discuss how it might impact the price of natural gas in the Railbelt.

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MR. PICKETT said he would address this issue later in the presentation. He then provided a slide entitled "Cook Inlet Gas Market" that indicated the reserves-to-production ratio for Cook Inlet is 10:1, which means the proven gas in Cook Inlet will last approximately 10 years. This is in the same range as is typical for production areas in the Lower 48, and natural gas

was found in the inlet as a by-product of oil exploration. Another aspect unique to Cook Inlet is that it is the home of the only plant in the U.S. that liquefies natural gas and ships it out of the immediate area as liquefied natural gas (LNG). The plant in Cook Inlet is the oldest LNG plant in the world and continues to ship gas to Japan. The RCA found that Cook Inlet is a natural gas production basin; therefore, its pricing indices are lower than "citygate" pricing points. The commissioners at the RCA sought to compare areas with significant similarities and made a decision on the basis of the record before them. He opined that Cook Inlet is considered to be a fairly challenging geological environment, without the normal distribution of gas fields found elsewhere; however, this information has not been presented to the RCA.

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MR. PICKETT presented a slide entitled "Cook Inlet Market Power" and stressed that market power is not necessarily illegal, or proof that [an illegal] monopoly exists. ConocoPhillips Alaska, Inc., Marathon Oil Corporation, and Union Oil of California, a division of Chevron (Union), control the vast majority of natural gas supplied in Cook Inlet. Of these three, ConocoPhillips and Marathon are the largest and they also own the Kenai LNG export facility. Thus the Cook Inlet market is vertically integrated with the two largest producers being their own best customers through the medium of sales to the LNG export facility. Mr. Pickett advised RCA's Order U-08-58 found that the continued operation of the LNG facility in Kenai is important to the overall health of the Cook Inlet natural gas marketplace. The next slide entitled "Pricing Cook Inlet Gas," indicated that Cook Inlet is not an open and transparent natural gas market; there is no commonly accepted natural gas pricing mechanism; since the "Henry Hub" order, a variety of pricing proxies have been considered by the utilities, the producers, the attorney general, and the RCA; and none of these pricing proxies has resulted in an RCA approved GSA that currently delivers gas to utility customers. The slide entitled "Electric Utilities Infrastructure Needs" relates that the Railbelt Electrical Grid Authority (REGA) Study issued in September 2008, estimated cumulative capital investment requirements for generation and transmission expansion and replacement needs range from \$2.5 billion to \$8.1 billion over the next 30 years with a significant amount of those investments being made in the next 10-15 years. The slide entitled "Installed Railbelt Generation" displayed a pie chart illustrating the many sources of power to the Railbelt. According to the chart, power

generated by natural gas represented 63.7 percent of the total, largely due to the contribution by the Chugach Electric Authority (CEA) Beluga Power Plant and the Municipal Light & Power (ML&P) Plant No. 2. The Beluga plant is in need of capital improvements which will be costly, given the current state of the financial markets and the degrading of utility credit ratings. The slide entitled "Existing Railbelt Generation & Proposed Projects" illustrated a bar graph of existing and proposed projects. He raised the question of how to replace the existing generation of power for the Railbelt.

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MR. PICKETT presented the slide entitled "Regulatory Issues," and explained "firm power" supplies are a predictable source of power that can be scheduled by a utility and that offset both fuel and generation capacity expenses such as hydroelectric, co-generation, and geothermal. "Non-firm" power supplies are an unpredictable source of power that can not be scheduled by a utility. The provision of non-firm power only offsets the use of fuel by the utility. Generation capacity must be maintained to provide power when the non-firm power is unavailable. Some of these sources are wind, solar, some hydroelectric, and tidal.

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CO-CHAIR MILLETT inquired as to how to account for net metering.

MR. PICKETT responded that a discussion of net metering will follow.

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MR. PICKETT presented a slide entitled "Power Cost Equalization (PCE) Program" and explained under the PCE program the state pays a portion of the electric bills for consumers in 150 communities served by utilities participating in the program. The RCA establishes the PCE rate applicable to each participant utility's billings, regardless if the utility is otherwise subject to RCA's economic regulation. The next slide entitled "PCE Program" stated AS 42.45.110(c)(2) provides that the commission will, during each fiscal year, adjust the power costs for which PCE may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau, and subject to the statutory ceiling. Mr. Pickett added that the RCA processes the fuel cost filings and performs a desk audit every three years; however, the PCE

program is actually administered by the Alaska Energy Authority (AEA). He displayed the next slide entitled "RCA Role in Renewable and Alternative Energy," and explained that the RCA considered adopting federal net metering and interconnection standards under the U.S. Department of Energy Policy Act of 2005 (EPACT). However, the commission declined to adopt any federal standards because they did not adequately address the conditions in Alaska. After two years of study, the RCA decided to open docket R-09-1 to address net metering and create an Alaska rule that will encourage the development of small scale renewable generation while maintaining system integrity and apportioning costs fairly among consumers and consumer-producers. The completion of this rule is a high priority and is expected by the end of the year. The goal in docket R-09-2 is to create an interconnection standard that recognizes Alaskan conditions, provides uniformity in the interconnection requirements of Alaskan electric utilities, and simplifies the interconnection process for small, distributed resources. Finally, the AEA requires that all independent power producers receiving renewable energy grants obtain a CPCN from the RCA; however, he opined that a regulation investigation that is less than "a full cost of service approach" is desired.

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MR. PICKETT, in response to Representative Johansen, said an independent power producer (IPP) is a private sector entity that is in the business of creating an electrical generation facility that will sell electrical power to a utility at a fixed amount.

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CO-CHAIR EDGMON estimated that independent power producers will constitute about 25 percent of the renewable energy funds appropriated by the legislature.

MR. PICKETT agreed, although he said he had not seen the figures.

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REPRESENTATIVE PETERSEN related his constituents are concerned about the cost of natural gas prices and are asking whether the cost will go down in light of the decrease in Henry Hub prices.

MR. PICKETT noted that the proposals for in-state natural gas pipelines offer prospects for reducing the cost in the future;

also, ENSTAR is actively looking for a gas supply. He acknowledged that the challenging economic environment, with demand destruction and the collapse of commodity prices, presents an unknown response from the industry.

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REPRESENTATIVE RAMRAS inquired as to whether it is possible to join all of the utilities together when some utility customers will see an increase in their kilowatt cost as a result. He further asked whether the amalgamation of utilities with different debt structures, kilowatts, and bond ratings, will affect some utilities' credit worthiness. "How in the world are we going to put all of these entities together? ... isn't that going to be, certainly that'll come under some RCA jurisdiction ... ," he said.

MR. PICKETT affirmed these are challenging issues that a working group of executives from the utilities is considering; he opined that as new generation and transmission capacity comes on line, this structure will be the vehicle through which [the gas is] brought to the marketplace with the "postage stamp" rates offered as an incentive for the utilities' participation. An integration of all of the utilities' assets would be [problematic]; however, that is not the plan. Mr. Pickett remarked:

What the role of the RCA would be would, as particular a generation and transmission capacity that's in, say a utility's rate base, is taken out of rate base, and perhaps put somewhere else, that would take an action of the commission. And that would be sort of a timely thing, and that would take the obvious cooperation of the utility, too.

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REPRESENTATIVE RAMRAS gave an example of the six committee members as six utilities, all with different rates to their consumers. He asked Mr. Pickett to explain the impact of consolidation on each of the utility's postage stamp rates.

MR. PICKETT opined that, although he has not seen the proposed legislation, the postage stamp rate will ultimately be the number that is assigned to it. Furthermore, the number will not be known until the generation and transmission costs are known,

thus it is not possible to answer the question until it is known what physical assets are proposed to be brought online.

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REPRESENTATIVE RAMRAS asked for the definition of postage stamp rate.

MR. PICKETT answered that a postage stamp rate typically refers to a fixed and discrete amount for some level of service that everybody pays.

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REPRESENTATIVE PETERSEN gave an example in which a private company developed a geothermal power plant for the generation of electricity at Mt. Spurr. He asked whether the company would come under RCA regulation.

MR. PICKETT responded it may or may not. Federal statutes would have to determine whether it is a qualifying facility that would come under regulation by the Federal Energy Regulatory Commission (FERC).

REPRESENTATIVE PETERSEN asked whether the company would be considered an independent entity.

MR. PICKETT clarified that if one of the utilities, or a consortium of utilities, that are currently regulated built the project it may not be considered an independent. This is the case of an Anchorage utility that has an interest in the Beluga gas field.

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REPRESENTATIVE TUCK asked for an explanation of the QF designation.

MR. PICKETT said that he was not an expert on FERC QF certification processes; however, he said he knew there was a self certification process in which the independent power producer (IPP), after meeting certain conditions, could certify itself. He opined the process has been "tightened up" and FERC is more involved. Qualifying facility certification has been proposed recently for hydro projects. In further response to Representative Tuck, Mr. Pickett said QF exemptions are exemptions from certification and from economic regulation.

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REPRESENTATIVE RAMRAS returned to the "fit, willing, and able" language in the CPCN certification process and opined that [the language] is an assessment made by the RCA. Therefore, if an entity, such as ANGDA, that offers no service, fell under the RCA regulation as a natural gas pipeline or as a utility, "how do you determine 'fit, willing, and able' as opposed to ... an ENSTAR who is going to go from transmission lines in Southcentral, and is contemplating expanding their service?" he asked.

MR. PICKETT explained that in a filing for a CPCN, the burden to establish worthiness will be on the entity making the filing. He said, " ... I don't think it would be fair for me to make specific hypothetical responses to what may become a filing." Obviously, he continued, the commission will review what the entity has done in the past and whether it demonstrated the managerial and administrative capacity, and the financial ability, to fulfill the purpose of the filing.

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REPRESENTATIVE RAMRAS then asked, if ANGDA wanted a bond filing for \$250 million, whether it would have to demonstrate through its business plan, that it is fit, willing, and able prior to the bond application. He said, " ... how would you, because \$250 million is not an insignificant sum of money, ... [and ANGDA has] never moved a single molecule; they would become a natural gas pipeline and a natural gas distribution; they want the state to facilitate all this bonding; at what point would the RCA insert themselves into the regulatory process? Before [ANGDA] got the money, after they got the money, [or] with the business plan ... ?"

MR. PICKETT responded:

Again, I can not speak for the other four commissioners. I have my own personal philosophy, how I would react and these exact same questions would be made and argued in adjudication amongst the five commissioners and we would have would have some commissioners saying this, and we would have other commissioners arguing the opposite side. And at the end of the day, three of five votes would make the

determination as to the conditions under which that certificate would be issued.

MR. PICKETT, in further response to Representative Ramras, said that he would prefer not to say what his argument would be during the aforementioned debate.

REPRESENTATIVE RAMRAS opined this discussion is germane to legislative policy and, though the RCA can not speak about an issue before it, he again asked for Mr. Pickett's opinion on the theory presented to him.

MR. PICKETT advised that his approach is based on the evidence and influenced by his personal philosophy towards financial feasibility analysis over a period of time. In addition, he said he has specific ideas as to capacity issues and looks to a broader set of evidence beyond what is presented on paper; for example, "can you walk the talk?"

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CO-CHAIR MILLETT asked for further information on the Matanuska Electric Association (MEA) docket.

MR. PICKETT recalled the RCA opened a regulation docket in September 2007, at the request of MEA, to explore whether a generation and transmission cooperative should be formed. At the same time the REGA study was undertaken, and the RCA elected to hold the docket open in abeyance for the REGA study finding. At the last public meeting in February, the RCA intended to gather integrated resource plans from the utilities for review; however, representatives of MEA requested no action and requested instead that the RCA place in the record a piece of proposed legislation dealing with some of the REGA issues. Thus the RCA does not intend to take action as the REGA process continues.

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CO-CHAIR MILLETT surmised that the proposed legislation "states their case for their integrated [resources plan] IRP."

MR. PICKETT clarified that the proposed legislation is related to the subject matter of the open regulation docket. He suggested that the question of the legislation's purpose is best addressed to the representatives of MEA.

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CO-CHAIR MILLETT further asked whether any other utility has submitted an IRP to add to the docket.

MR. PICKETT said he would look at the docket and report back.

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REPRESENTATIVE TUCK spoke of the two proposed gas pipeline routes and the possibility that both a "bullet line" from the North Slope to Southcentral, and a "spur line" off of the major pipeline to Canada, will be built. He observed that customers for the bullet line will be consumers, industry, and the export market; customers for the spur line will be the export market only. Representative Tuck asked if the RCA will regulate whether in-state consumers and industry will be able to purchase gas from the larger [spur] line at a presumably lower price.

MR. PICKETT predicted that these pipelines will be regulated under the Pipeline Act. He opined the intent of the support for the in-state line is to provide an adequate supply of natural gas at reasonable rates to consumers. The "unknowns" at this time are the price of the gas at the wellhead, the cost of the construction of the line, and the volume of the gas. In further response to Representative Tuck, Mr. Pickett confirmed that matters relating to "telecom" were missing from the presentation because the presentation was only related to energy.

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CO-CHAIR EDGMON observed the [four] different types of dockets that the RCA can administer are identified by (I) for investigation; (U) for utilities; (R) for regulation; and (P) for pipelines. He again referred to the organizational structure of the commission and asked whether it is "lean" to the point where the commission spends less time on investigation than warranted.

MR. PICKETT emphasized that the burden of proof is upon the commission for investigative dockets; therefore, there must be a clear and compelling reason to open these dockets. He pointed out the RCA is operating with eight staff vacancies.

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CO-CHAIR EDGMON asked about the future of the RCA as Alaska enters into a new chapter of renewable and alternative energy.

MR. PICKETT acknowledged that the RCA is driven intensely with statutory deadlines and expressed his preference to not be in that position. As for the future, the RCA will work closely with the AEA in connection with renewable and alternative energy. He advised there will be a need for additional staff to do the job.

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CO-CHAIR MILLETT recalled that the AEA funded 25 independent power provider projects that require a "quasi" regulation role by the RCA. She asked how this additional role will affect the RCA's level of service.

MR. PICKETT stated that he requested from the AEA executive director an outline of the specific level of regulation, beyond [the issuance of] the CPCN, required of the RCA. In further response to Co-Chair Millett, he agreed to supply a copy of this outline to the committee.

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REPRESENTATIVE RAMRAS thanked Mr. Pickett for his work and his presence before the committee.

CO-CHAIR EDGMON also thanked Mr. Pickett.

[4:34:18 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 4:34 p.m.