ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY
March 25, 2010
3:07 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

OVERVIEW: BIOMASS ENERGY

- HEARD

HOUSE BILL NO. 182
"An Act establishing the Greater Railbelt Energy and Transmission Corporation and relating to the corporation; relating to transition, financial plan, and reporting requirements regarding planning for the initial business operations of the Greater Railbelt Energy and Transmission Corporation; relating to a report on legislation regarding the Regulatory Commission of Alaska and the Greater Railbelt Energy and Transmission Corporation; authorizing the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the Greater Railbelt Energy and Transmission Corporation; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 182
SHORT TITLE: RAILBELT ENERGY & TRANSMISSION CORP.
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/12/09	(H)	READ THE FIRST TIME - REFERRALS
03/12/09	(H)	ENE, L&C, FIN
03/26/09	(H)	ENE AT 3:00 PM BARNES 124
03/26/09	(H)	Heard & Held
03/26/09	(H)	MINUTE(ENE)
04/09/09	(H)	ENE AT 3:00 PM BARNES 124
04/09/09	(H)	Heard & Held
04/09/09	(H)	MINUTE(ENE)
03/18/10	(H)	ENE AT 3:00 PM BARNES 124
03/18/10	(H)	Heard & Held
03/18/10	(H)	MINUTE(ENE)
03/23/10	(H)	ENE AT 3:00 PM BARNES 124
03/23/10	(H)	-- MEETING CANCELED --
03/25/10	(H)	ENE AT 3:00 PM BARNES 124

WITNESS REGISTER

DAVE STANCLIFF, Vice-President
Tok Chamber of Commerce
Tok, Alaska
POSITION STATEMENT: Presented a history of the biomass project in Tok, Alaska.

CHRIS MAISCH, State Forester; Director
Division of Forestry
Department of Natural Resources (DNR)
Fairbanks, Alaska
POSITION STATEMENT: Presented a briefing paper from the Alaska Wood Energy Development Task Group.

JEFF HERMANNS, Area Forester
Division of Forestry
Department of Natural Resources (DNR)
Tok, Alaska
POSITION STATEMENT: Presented a series of slides depicting fires and forest practices in Tok, Alaska.

JIM STRANDBERG, Project Manager
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development (DCCED)
Anchorage, Alaska
POSITION STATEMENT: Testified during the hearing on HB 182.

BRIAN BJORQUIST, Senior Assistant Attorney General
Labor and State Affairs Section
Department of Law (DOL)

Anchorage, Alaska
POSITION STATEMENT: Presented a sectional analysis of changes to HB 182.

ACTION NARRATIVE

3:07:49 PM

CO-CHAIR CHARISSE MILLETT called the House Special Committee on Energy meeting to order at 3:07 p.m. Present at the call to order were Representatives Millett, Edgmon, and Johansen. Representatives Petersen, Ramras, Tuck, and Dahlstrom arrived as the meeting was in progress.

3:08:01 PM

Overview: Biomass Energy

3:08:23 PM

CO-CHAIR MILLETT announced that the first order of business would be an overview of Biomass Energy, beginning with Dave Stancliff.

3:08:44 PM

DAVE STANCLIFF, Vice-President, Tok Chamber of Commerce, informed the committee he was representing the Tok Chamber of Commerce and the Gateway School District. Mr. Stancliff observed the energy problems of the state are big questions for those who live outside of the power grid, and in rural and Bush areas of Alaska. He recalled when the legislature created the Tanana Valley State Forest and pointed out that the forest was set aside for utilization of the resource. In fact, the forest has not been used because there has not been a market for its resources. However, the recent and current fire hazard forced the community of Tok to develop a safety action plan, and with the Division of Forestry, Department of Natural Resources (DNR), it began to clear black spruce and other non commercial trees that grow clear to the ground and cause the spread of forest fires. This hazardous material was supposed to be burned, but instead, Mr. Stancliff began to research the possibility of chipping the wood for heating systems. Subsequently, the legislature provided a wood chipper to the community of Tok, for which he expressed his gratitude. The chipper will produce 50 tons of fuel per hour, and each ton of fuel is equal to a cord of wood; one cord of wood equals one hundred gallons of fuel oil. Furthermore, the chipper produces in one hour the BTU

equivalent of five thousand gallons of fuel oil. In fact, in six days the chipper ground up enough waste wood to heat the Tok School for one year. The Division of Forestry has used funds from its internal budget to clear a defensible space for fire prevention around the school, gathering enough wood to heat the school for another year; in fact, the Tok School will be the first school in Alaska to heat exclusively with wood chips that come from hazardous fuel. He pointed out the state pays $10,000 per acre to fight a wildfire, but using the wood as fuel is worth $9,000 per acre; therefore, the value to the state of the waste wood is $19,000 per acre as a result of the purchase of the wood chipper. At that time, the primary contractor was installing the new boiler at the school and he described the process and scheduling. Mr. Stancliff then spoke of potential commercial markets for the wood chips that would support the Tok economy, and create 12-15 new jobs in the community. Most importantly, if public buildings are converted to biomass, millions of dollars that leave the state to pay for diesel fuel would stay in the state. For the first time in the state's history, there is an opportunity to develop a natural resource product to sustain an economy in rural Alaska. This is a natural resource product that the foresters need to remove to manage the forest, and that every village could use to sustain its economy at some level. For those villages without a chipper, logs can be barged at competitive prices with less danger than oil, and chips, briquettes, or pellets shipped back. The economic loop of biomass includes foresters, truckers, loggers, boiler keepers, and fuel distributers in a small economy that can lead to cheaper energy. Furthermore, the economic breakeven point between biomass and number one fuel oil is $1.20 per gallon for fuel oil, because the average acre of biomass around Tok and elsewhere in the Interior contains 70 cords of wood that will grow back. Also, burning wood in the wood boiler emits zero carbon and will be eligible for future carbon credits.

3:19:10 PM

MR. STANCLIFF continued to explain that the dollar to dollar social economic breakeven point is $1 per gallon of fuel oil. He thanked the Division of Forestry for its contribution to Tok's conversion to biomass and opined that "Tok is a model that can be scaled to fit anywhere in the state." He further explained how the product will be utilized by the Tok School, the power company, and the local utility company. He re-stated the importance of safety clearing the hazardous wood around homes and buildings in the Interior. He urged the committee to

encourage the state to use biomass energy in its facilities, and create the markets to support this industry. Biomass burns clean at 2,600 degrees; in fact, it produces cleaner air than fossil fuel, with less particulate matter, zero carbon, and is as clean as propane. He concluded by describing the process to create wood pellets in Dry Creek.

3:24:34 PM

CHRIS MAISCH, State Forester; Director, Division of Forestry, said he would discuss statewide applications of the biomass program. Mr. Maisch presented a briefing paper from the Alaska Wood Energy Development Task Group, Office of the Commissioner and Division of Forestry, DNR, that was formed in 2004, and is comprised of state and federal agencies. The task group encourages the development of wood energy and the briefing paper described the installation of GARN boilers in the communities of Kasilof and Tanana. Mr. Maisch explained that GARN boilers are large wood stoves with a water jacket to store heat after the wood is combusted once or twice per day. He noted that a wood chip burner is better suited to a larger public facility; the first one installed in the state was in Craig, and the one in Tok is the first to use material that comes from hazardous fuel treatments. The burner at the school in Craig uses waste material from the sawmill at Klawock. Mr. Maisch further explained that the scale of heating with wood reaches from a home wood stove to pellets and chips mixed with coal to fuel a coal-fired facility. He related that the AEA alternative energy program has funded 13 woody biomass projects helped with planning for the sustainability of the wood source by the Division of Forestry. A pellet mill is currently being built in Fairbanks that will produce 60,000 dry tons of pellets per year. The mill is the first new wood products facility in Interior Alaska and is being built by a private company at a cost of $6-7 million. Another important aspect of development is the process for permitting timber sale programs so that the public will support this type of local industry and forest management. Lastly, he pointed out the relationship in the Interior between hazardous fuel and frequent fires. There is a large need to perform hazardous fuel treatments in and around communities after communities have a wildfire protection plan in place. Fuel treatments are done around the highest risk areas of the community to try and reduce the risk of fire. Mr. Maisch warned that the Interior is an ecosystem that is designed to burn, and the fire within a community can be the most dangerous. He concluded, "There is a real important tie between hazardous fuel

treatments and these community plans, and the opportunity to use this material in these bioenergy facilities."

3:30:12 PM

REPRESENTATIVE TUCK asked for the number of acres available to provide wood to make wood chip products, and how fast the wood is replenished.

3:30:33 PM

MR. MAISCH stated that in general, the new pellet mill in Fairbanks would use one-third of the annual allowable cut in the Fairbanks working circle. Most projects are for space heating use in buildings and require several hundred acres. The Tanana Valley State Forest has 1.8 million acres of multiple use lands dedicated to forest management. He opined there is plenty of resource available to meet the needs of smaller communities in rural areas.

3:31:50 PM

REPRESENTATIVE JOHANSEN asked whether the allowable sale is limited by state statute.

3:32:16 PM

MR. MAISCH explained that the annual allowable harvest level is based on forest management plans; over a period of 10 years, the harvest must stay within a sustainable cut. The division holds several authorities to offer sales, such as value-added sales that allow contracts for up to 10 years in length for 10 million feet a year to a company doing value-added processing. Also, there is the Schnabel Act that allows 20-year contracts for resource harvesting in areas of high unemployment.

3:33:52 PM

REPRESENTATIVE JOHANSEN asked whether all of the programs comply with the allowable sale limit.

3:34:21 PM

MR. MAISCH said, "Yes, they do. They have to fall within that annual sale ... quantity, we can't actually offer more than what the sustained yield calculations are for a given geographic area."

3:34:41 PM

REPRESENTATIVE JOHANSEN asked whether the accelerated allowable sale quantity (ASQ) that was put in effect during the Murkowski administration only affected Southeast.

3:35:17 PM

MR. MAISCH indicated that was a special program for southern Southeast called the "bridge timber program." In fact, in southern Southeast all of the acres offered for sale are processed locally, but in the Interior less than 10 percent of the allowable cut is offered and there is a large amount of surplus material.

3:36:21 PM

REPRESENTATIVE JOHANSEN asked whether the legal environment in the Tok area was similar to that of Southeast.

3:36:46 PM

MR. MAISCH stated that there have been only five or six litigated sales for this program. Unlike the federal process, the state system is streamlined and includes public participation and transparency. In Tok, there have been no legal challenges to sales.

3:37:51 PM

REPRESENTATIVE PETERSEN asked whether the division replants.

3:38:18 PM

MR. MAISCH said that in Tok, aspen comes in aggressively on its own. It is sometimes necessary to plant spruce, otherwise birch and aspen will dominate. The forest referred to in this presentation is not considered commercial for a sawmill or other production; in fact, this is the first opportunity to manage this type of forest for commercial use.

3:39:42 PM

REPRESENTATIVE PETERSEN asked for the amount of time needed for the forest to be harvested again.

3:40:06 PM

MR. MAISCH said the objective of the hazardous fuel treatment is to convert the tree stand from a conifer type to a hardwood type, because hardwoods are less flammable. These trees would be re-harvested every 15-20 years. If the area is returned to white spruce, it would take 60-120 years.

3:40:43 PM

CO-CHAIR EDGMON asked about the possibilities in the next five to ten years for using biomass as a primary fuel source in Alaska.

3:41:25 PM

MR. MAISCH predicted there is a lot of potential for use in a number of communities in the Interior for space heating in public buildings and schools. The 13 projects funded by AEA will serve as demonstration projects to prove the effectiveness, the benefits, and cost savings of this technology. Although Fairbanks has had air quality problems with wood smoke, these fuel products are dry and meet Environmental Protection Agency (EPA) standards for particulate and emissions. There are many possibilities for urban and rural applications.

3:43:15 PM

JEFF HERMANNS, Area Forester, Division of Forestry, Department of Natural Resources (DNR), informed the committee Tok is part of the fire ecosystem. He presented a map that showed the area surrounding Tok that has burned since 1935, and said, "History proves that the chances are we're going to burn." In 1990, fire threatened the town, and the state spent $30 million to fight the fire. Only a shift in the wind saved the town. In 2001, the Red Fox fire burned 120 acres in 2 hours and cost $1.2 million. This was a wind driven fire, and with the abundant fuel there was a danger of firefighters "getting burned over." One slide showed a house that was saved because the land was cleared of trees for 100 feet. Mr. Hermanns showed several other slides of fires and noted the state has spent $50 million fighting fires in the Tok area over the last 25 years.

3:48:11 PM

CO-CHAIR EDGMON observed there is tremendous cost to retain a helicopter service.

3:48:30 PM

MR. HERMANNS advised that in the last 20 years, the forest has grown and there are more residents, thus the Tok area is in as dangerous position as in 1990. The state fire management plan requires fighting fires around homes so the hazardous fuels continue to grow.

3:50:06 PM

CO-CHAIR MILLETT asked whether the forest management plan removes trees from around homes.

3:50:14 PM

MR. HERMANNS said Tok has received $320,000 in funding for fuel reduction from the federal government since 1990, and no funds from the state. Also, fire management options address attacking the fire, but not removing the fuel before the fire strikes. Several slides showed roads and driveways that would be dangerous to travel to escape a fire and Mr. Hermanns described how people are trapped by fire. He recommended that the property around a home is cleared of trees for 100 feet to create a defensible zone; however, Tok has 10,000 trees per acre and this is a job beyond most homeowners' capabilities. Within Tok's wildfire plan there are 38,000 acres of high volume hazardous fuels, without a break in the stand of trees, and 1,500 residents. The Tok Community Wildfire Protection Plan (CWPP) priorities are: remove fuels from Tok School and the Department of Transportation & Public Facilities and Forestry state communications tower; safe evacuation routes and road rights-of-way; senior citizens defensible space; create effective fuel breaks and anchors for our firefighters. He said he told the residents of the depth of the danger but some people can not afford to clear, or are unable to clear, their property. Regarding the stand conversion of spruce to aspen, he explained that the aspen root system is in the ground and after a fire kills the spruce, the natural cycle grows the aspen first, and then it is overtaken by spruce, until a lightning strike starts another fire.

3:57:42 PM

MR. HERMANNS, returning to the Tok plan, said the community began the process of clearing the problem areas around the school and the communications tower. He described various fire

scenarios and the need to clear large areas of land to create an effective firebreak. The division worked to determine how much energy is in the forest and found out there can be 6,000 to 10,000 trees per acre for a weight of 33-187 tons per acre. Using an average of 60 tons per acre, there is an average of 548 million BTUs per acre in Tok. That is equal to 21 trillion BTUs in the Tok stand of trees. The fuel oil equivalent is 153,934,964 gallons.

4:04:06 PM

MR. HERMANNS said the fuel oil equivalent for the value of the forest within the Tok plan is $307 million and the biofuel equivalent is $140 million. Mr. Hermanns estimated that 3,300 acres need to be cleared, of which 500 acres are private properties. Mechanical harvesters can remove two acres per day at a cost of $1,000 to $1,200 per acre, or $15 per ton. The total cost to remove the hazardous fuel around Tok is $5.7 million without commercial resale. The effort to clear land began with the school as a safety issue; $50,000 was spent to clear 50 acres, and the fuel will be used to heat the school for one year. This was a collaborative effort and the process educated students to the danger of fire. He presented a slide that showed small trees can be handled and chipped as a bundle. Mr. Hermanns opined this process turned a huge liability for the state into an asset for the community.

4:11:14 PM

MR. HERMANNS recalled that the division used to burn hazardous material and waste the energy. Now the chipper machine takes a whole tree or a bundle of hazardous tree waste and makes fuel ready to go into a boiler. He showed slides of the fuel going into the boiler at the school. This technology has been proven in Montana and on the East Coast for 20 years, and is completely automated using a computer to boost efficiency. He predicted the Tok School will have a net savings of $7.8 million over 30 years. He urged the state to "get serious" about fuel reduction and invest $1,000 in fuel reduction versus $10,000 to fight an urban interface fire. Let nature burn it, or control and harvest the forest, and benefit from the energy. In response to Representative Johansen, Mr. Hermanns said he was the Area Forester for the state in Tok, which is the equivalent to a District Ranger.

4:20:07 PM

REPRESENTATIVE TUCK asked whether there was covered storage for the fuel.

4:20:27 PM

MR. HERMANNS explained that two month's supply of fuel is stored inside at the Tok School. There is a plan to build outside storage later, but the area only receives 10 inches of rain per year.

4:21:11 PM

CO-CHAIR MILLETT expressed her appreciation for the information provided.

4:21:33 PM

CO-CHAIR EDGMON encouraged the committee to visit Tok and Dry Creek to see the business potential there.

4:23:02 PM

REPRESENTATIVE JOHANSEN asked whether there was a bottleneck within the administration that stops the forestry division from requesting the equipment and funding needed.

4:24:04 PM

MR. MAISCH said the division competes for federal funding with all of the other states, and there has been no state funding from the general fund for hazardous fuel mitigation projects. His department intends to request more funding though the normal budget process. Regarding policy, he said he hopes that the governor's office will recommend that CWPPs are completed for each community in a fire-prone area of the state, so they can be used as a blueprint for fuel mitigation projects.

4:25:52 PM

REPRESENTATIVE JOHANSEN asked whether the division could authorize clearing by a private company that could profit from the wood.

4:26:40 PM

MR. MAISCH said the market has not matured to that point yet. Interest from the private sector is growing, but investors must be educated that this material is commercial.

4:27:51 PM

REPRESENTATIVE JOHANSEN observed that this legislature has ignored opportunities such as this.

CO-CHAIR EDGMON suggested the presenters attend the Rural Energy Conference.

4:29:17 PM

MR. MAISCH re-stated the need for the state to act as a venture capitalist.

CO-CHAIR MILLETT agreed that the legislature focuses on oil and gas as the state's only resource.

MR. STANCLIFF suggested the committee hear a private presentation from Thomas Deerfield of Dalson Energy.

4:31:14 PM

The committee took an at-ease from 4:31 p.m. to 4:35 p.m.

4:35:34 PM

HB 182-RAILBELT ENERGY & TRANSMISSION CORP.

CO-CHAIR MILLETT announced the next order of business would be HOUSE BILL NO. 182, "An Act establishing the Greater Railbelt Energy and Transmission Corporation and relating to the corporation; relating to transition, financial plan, and reporting requirements regarding planning for the initial business operations of the Greater Railbelt Energy and Transmission Corporation; relating to a report on legislation regarding the Regulatory Commission of Alaska and the Greater Railbelt Energy and Transmission Corporation; authorizing the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the Greater Railbelt Energy and Transmission Corporation; and providing for an effective date."

4:35:48 PM

REPRESENTATIVE RAMRAS withdrew his objection made at the hearing of 3/18/10.

CO-CHAIR MILLETT withdrew her motion to adopt the committee substitute (CS) for HB 182, 26-GH1041\E, Bailey, 3/18/10, made at the hearing of 3/18/10. She then moved to adopt CSHB 182 26-GH1041\S, Chenoweth/Bailey, 3/24/10, as the working document.

4:36:41 PM

CO-CHAIR EDGMON objected for discussion purposes.

CO-CHAIR MILLETT explained that the working document was drafted for the Senate.

4:36:50 PM

JIM STRANDBERG, Project Manager, Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), informed the committee he was speaking to the bill on behalf of the administration. Referring to the meeting on 3/18/10, he said there were questions raised regarding the financial status of the utility companies. He presented documents from Seattle-Northwest Securities that looked at the financial condition of the utilities.

4:39:46 PM

CO-CHAIR MILLETT advised there are attachments to the working document.

4:40:29 PM

MR. STRANDBERG related that the administration was pleased with the effort on the part of the Railbelt utilities to create a new corporation to respond to the energy future. The Alaska Energy Authority (AEA) and the governor's office were partners in the effort, and assisted in the first step to get all six utilities at their board, CEO, and technical levels to work together. He said this was a positive action and he expressed his hope the committee would consider the bill as such.

4:42:41 PM

CO-CHAIR EDGMON observed Homer Electric Association (HEA) had backed away from the CS.

4:43:30 PM

MR. STRANDBERG said his understanding was the matter would be addressed by testimony at the Senate Resources Standing Committee meeting.

4:44:05 PM

CO-CHAIR EDGMON asked what would happen if all six utilities are not in agreement.

MR. STRANDBERG acknowledged AEA was also concerned.

4:44:57 PM

CO-CHAIR MILLETT offered to provide copies of a letter from HEA to the committee.

4:45:36 PM

BRIAN BJORQUIST, Senior Assistant Attorney General, Labor and State Affairs Section, Department of Law (DOL), informed the committee his primary clients are AEA and the Alaska Industrial Development & Export Authority (AIDEA), Department of Commerce, Community, & Economic Development (DCCED).

4:47:09 PM

CO-CHAIR MILLETT asked Mr. Bjorkquist to point out major items that were not in the original bill.

4:47:12 PM

MR. BJORKQUIST agreed. He explained that this legislation creates an energy and transmission corporation modeled after a generation and transmission (G&T) cooperative. In this type of entity, public utilities collectively plan for, develop, and implement their G&T needs; however, the public utilities remain distribution utilities providing electricity to their retail customers. The original bill created one specific corporation, but the CS creates a statutory scheme, an energy and transmission corporation, and also provides authority for the Greater Railbelt Energy and Transmission Corporation (GRETC) to be formed. The [CS] provides that four or more municipal or cooperative electric utilities form together to acquire or operate a project from AEA, to plan for an interconnected system, and to create an energy and transmission corporation, if

it is first approved by the legislature. Section 13 of the work draft provides the legislature authority for this specific corporation to be formed. Mr. Bjorkquist pointed out that this change from the original bill was for two reasons: (1) to avoid a constitutional issue regarding local and special legislation; (2) to shift the model for the corporation from the Commercial Fishing and Agriculture Bank (CFAB), which is a specific quasi-public corporation established in statute, to a private style with more freedom and flexibility as to how the utilities operate within GRETC. The utilities desire the ability to develop their own projects, rather than the expectation that the new corporation will be the sole provider of G&T services. He further explained that the process is starting "where there is nothing, basically," and this will allow for more of an evolution of the corporation instead of forcing the utilities into an entity. The legislation gives more freedom to the utilities, but with an expectation that the entity will evolve into the provider of public services in the Railbelt. Mr. Bjorkquist began a sectional analysis, and said Sections 1, 4, and 5 deal with rate regulation by the Regulatory Commission of Alaska (RCA), and municipalities. Sections 1 & 4 determine that when GRETC is not regulated by the RCA, it is also not regulated by municipalities. Section 5 provides for the exemption from regulation by the RCA. These provisions would become effective 8/16/15, five years after the organization of GRETC, thus there would be five years of full regulation by the RCA and five years into the future the exemption from rate regulation would take place. He cautioned that there is an inconsistency in the language regarding regulation, but the amendment corrects that.

4:55:03 PM

CO-CHAIR MILLETT observed that GRETC would be a third party storage facility without RCA regulation. This is contradictory to proposed legislation, and she questioned the reasoning.

4:56:08 PM

MR. BJORKQUIST referred to language on page 2, line 15, which deals with "related contracts for wheeling, storage, regeneration." He expressed his belief that this does not concern gas storage, but affects water storage related to hydroelectric projects.

4:57:20 PM

CO-CHAIR MILLETT pointed out another reference to fuel storage on page 4, line 5.

4:57:25 PM

MR. BJORKQUIST noted on page 14, lines 15-17, there was a provision for fuel supplies. He said he was unfamiliar with contradictory legislation; however, he suggested including the exemption by language on page 18, line 8, which deals with certain components that are related to regulation.

4:59:18 PM

CO-CHAIR MILLETT advised that there is also a contradiction in whether the interconnection by an independent power producer (IPP) has to conform to the corporation's interconnection guidelines and standards. This sets up an adversarial role for the IPP as it would need to appeal to the RCA to get interconnection within GRETC.

5:00:24 PM

MR. BJORKQUIST stated the provisions regarding where GRETC takes a role on interconnection are intended to replace a void in the interconnection reliability standards throughout the Railbelt. In fact, the Alaska Intertie Agreement is not signed by all of the Railbelt utilities, and will terminate next October. These provisions would have GRETC fill that void and become the entity to deal with interconnection standards. Furthermore, there is the provision that allows the RCA to compel interconnection. The first step for interconnection is the obligation on the utilities to negotiate terms and conditions with each other. If unsuccessful, the RCA can open a docket and compel interconnection with the terms and conditions established by the RCA. This second step is less cumbersome than litigation between parties, and he gave an example. Section 2 also deals with the RCA and provides that power sales agreements between GRETC and public utilities would not be subject to review or approval by the RCA. The provision would apply as long as there is long-term debt associated with the power project, as in the Bradley Lake, Swan Lake, and Lake Tyee projects. The purpose of Sec. 2 is to provide assurance and protection for financing. For example, if power sales agreements were subject to regulatory review, the review may affect the source of re-payment. In addition, GRETC is forward-looking, and this applies only to new projects. Section 3 deals with rate-setting, and is identical to the provision in rate-setting that

would become effective in 2015. Further discussion on this section is forthcoming later in the analysis. Section 6 begins with general law on the energy and transmission corporation.

5:08:08 PM

CO-CHAIR MILLETT suggested the analysis stop at page 3, line 15, Chapter 50, of the [CS].

5:08:24 PM

REPRESENTATIVE TUCK observed a title change was needed.

5:08:42 PM

CO-CHAIR MILLETT announced that HB 182 was held over.

5:09:18 PM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 5:09 p.m.