

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

March 24, 2010

3:33 p.m.

**MEMBERS PRESENT**

Senator Lesil McGuire, Co-Chair  
Senator Bill Wielechowski, Co-Chair  
Senator Charlie Huggins, Vice Chair  
Senator Hollis French  
Senator Gary Stevens  
Senator Thomas Wagoner

**MEMBERS ABSENT**

Senator Bert Stedman

**OTHER LEGISLATORS PRESENT**

Representative Charisse Millett  
Senator Linda Menard

**COMMITTEE CALENDAR**

SENATE BILL NO. 294

"An Act repealing the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

- HEARD AND HELD

SENATE BILL NO. 143

"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 AND HELD

SENATE BILL NO. 275

"An Act relating to aquatic farming and to payment made to the Department of Fish and Game for the removal of wild stock of a shellfish species that exceeds an insignificant amount; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 294

SHORT TITLE: SPORT FISH GUIDE LICENSES

SPONSOR(s): SENATOR(s) MCGUIRE

02/24/10	(S)	READ THE FIRST TIME - REFERRALS
02/24/10	(S)	RES, FIN
03/18/10	(S)	RES AT 3:30 PM BUTROVICH 205
03/18/10	(S)	Scheduled But Not Heard
03/22/10	(S)	RES AT 3:30 PM BUTROVICH 205
03/22/10	(S)	Scheduled But Not Heard
03/24/10	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 143

SHORT TITLE: RAILBELT ENERGY & TRANSMISSION CORP.

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/09/09	(S)	READ THE FIRST TIME - REFERRALS
03/09/09	(S)	ENE, RES, FIN
03/19/09	(S)	ENE AT 11:00 AM BUTROVICH 205
03/19/09	(S)	Heard & Held
03/19/09	(S)	MINUTE(ENE)
04/06/09	(S)	ENE AT 5:00 PM BUTROVICH 205
04/06/09	(S)	OPPOSE UN DESIGNATION OF ARCTIC OCEAN
04/09/09	(S)	ENE AT 2:30 PM BUTROVICH 205
04/09/09	(S)	Heard & Held
04/09/09	(S)	MINUTE(ENE)
03/17/10	(S)	ENE AT 3:30 PM BUTROVICH 205
03/17/10	(S)	Heard & Held
03/17/10	(S)	MINUTE(ENE)
03/22/10	(S)	ENE REFERRAL WAIVED
03/24/10	(S)	RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

MIKE PAWLOWSKI

Staff to Senator McGuire

Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Commented on SB 294 for the sponsor.

CHARLIE SWANTON, Director  
Division of Sport Fish  
Alaska Department of Fish and Game (ADF&G)

**POSITION STATEMENT:** Commented on licensing fees and SB 294.

JENNIFER YUHAS, Legislative Liaison  
Alaska Department of Fish and Game (ADF&G)

**POSITION STATEMENT:** Supported SB 924 and commented on it.

MIKE MCCRARY, representing himself  
Anchorage, AK

**POSITION STATEMENT:** Opposed SB 294.

MELVIN GROVE, charter owner  
Valdez, AK

**POSITION STATEMENT:** Opposed SB 294.

KEN LARSON, Secretary  
Prince William Sound Charter Association  
North Pole, AK

**POSITION STATEMENT:** Opposed SB 294.

REED MORISKY  
Wilderness Fishing, Inc.  
Fairbanks, AK

**POSITION STATEMENT:** Supported SB 294.

SMOKEY DON DUNCAN, Master Guide  
Fairbanks, AK

**POSITION STATEMENT:** Didn't support SB 294 as written.

JOHN BLAIR, Executive Director  
Southeast Alaska Guides Association  
Sitka, AK

**POSITION STATEMENT:** Supported SB 294.

WADE WILLIS  
Anchorage, AK

**POSITION STATEMENT:** Supported extending the program in SB 294  
for two more years.

RICKY GEESE, Executive Director  
Kenai Sport Fishing Association

**POSITION STATEMENT:** Supported SB 294.

REUBEN HANKIE, representing himself  
Owner and operator of a small Kenai River fishing business  
**POSITION STATEMENT:** Supported SB 294.

DAVE GOGGIA, President  
Kenai River Professional Guide Association  
**POSITION STATEMENT:** Supported SB 294.

JIM STRANDBERG, Project Manager  
Alaska Energy Authority  
**POSITION STATEMENT:** Explained and supported SB 143.

BRIAN BJORKQUIST, Senior Assistant Attorney General  
Department of Law (DOL)  
**POSITION STATEMENT:** Explained and supported SB 143.

#### **ACTION NARRATIVE**

[3:33:53 PM](#)

**CO-CHAIR BILL WIELECHOWSKI** called the Senate Resources Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators Wagoner, French, Stevens, McGuire, and Wielechowski.

#### **SB 294-SPORT FISH GUIDE LICENSES**

[3:34:55 PM](#)

**CO-CHAIR WIELECHOWSKI** announced SB 294 to be up for consideration.

[3:35:02 PM](#)

**CO-CHAIR MCGUIRE**, sponsor of SB 294, explained that it would repeal the termination date for the program they created to have licensing of sport fish operators and sport fishing guides. The original bill passed in 2004. Since then the program has proven beneficial to both the industry and resource managers. It's estimated that over 1.8 million clients were served taking more than 460,000 guided fishing trips in Alaska annually; 88 percent of them were non-residents. Sport fishing is an integral part of Alaska's economy; in 2007 non-residents brought in over \$650 million. An average of 1670 sport fishing licenses and 1981 sport fishing guide licenses that include regular training and safety briefings have been issued. The guides have said the training is a real important part of keeping a standard in the

industry. She said in 2009 the termination date was extended for one full year and now they are proposing the permanent repeal of the termination date.

3:37:09 PM

MIKE PAWLOWSKI, staff to Senator McGuire, mentioned that a copy of the original HB 452 was in their packets in case there were questions about the original law.

SENATOR STEVENS said Alaskans pay a different license fee for commercial fishing than non-residents do and he asked if there is any differentiation between instate and out of state license fees for guides.

3:38:48 PM

CHARLIE SWANTON, Director, Division of Sport Fish, Alaska Department of Fish and Game (ADF&G), said resident and non-resident guides don't have a difference in fees. A guide business operator/owner license fee is a \$100 fee and it's \$50 for a guide.

CO-CHAIR WIELECHOWSKI asked if the department supported the bill.

3:39:38 PM

JENNIFER YUHAS, Legislative Liaison, Alaska Department of Fish and Game (ADF&G), explained that this legislation was introduced at the request of the department and it has been a pleasure to work with the Senate on this issue over the last two years. This is the second time it has been introduced and it is identical to what was introduced last year. It passed this committee and the full Senate. It was later amended in the House to have the one-year sunset and the Senate actually accommodated the concurrence vote before adjourning last year.

She explained that the logbook program provides for data collection that is necessary for information needed for state fisheries management. The process has recently been streamlined by the use of new "scanable" sheets instead of the large cumbersome logbooks that salt-water guides had to write in.

MS. YUHAS said this program exempts guides from the National Salt Water Angler Registry that is being implemented in the rest of the United States. She said that some of the guides have testified that they would rather fall under that because it costs \$25 rather than \$100, but that program doesn't provide any of the data the department needs to manage its fisheries. That

data is the most important part of the logbook program. What the guides receive for their \$100-fee is not simply a sticker for their boat, but the ability to utilize this resource to earn an income. She said everything is paid for by program receipts for anglers and through the guide fee and that Mr. Swanton would speak to the zero fiscal note.

[3:41:12 PM](#)

SENATOR HUGGINS joined the committee.

SENATOR FRENCH asked what the resistance to extending the sunset for more than one year was in the other body.

MS. YUHAS replied that she couldn't speak to the logic that Representative Neuman used in requesting that.

[3:42:19 PM](#)

MIKE MCCRARY, representing himself, Anchorage, Alaska, said SB 294 tries to do too many things. He said this bill came about because more information on the numbers of guides and their activities was needed and the data needed to be comprehensive and credible. Those goals were accomplished, but nothing more than minimum standards were established to actually be a guide.

From his point of view outfitting, charter boats, air taxis, and water taxis are businesses, but guiding is an occupation. This bill should not be put into place forever because the actual occupational licensing of all classes of guides needs to be separated from the business aspects - reducing speculative entry of businesses into the commerce stream and enhancing the profession of guiding. There should be one occupational licensing board for guides like hairdressers and barbers have. He said this bill tries to do too many things and extending it without termination is premature.

[3:45:51 PM](#)

MELVIN GROVE, charter owner, Valdez, Alaska, said he opposed SB 294. His biggest concern is that they are being taxed, basically, to pay for the logbook program. And even though he believes in data collection, they hadn't seen any harvesting improvements as a result of it. They had seen reduced bag limits instead.

He said contrary to what Ms. Yuhas said, registering for the National Salt Water Angler Registry is free according to Forbes Darby. And anyone using their service in federal waters wouldn't have to register, because data would be collected in

state waters. This data should be shared with the feds, but we shouldn't use that to justify collecting a \$100 fee. He said he couldn't even keep a fish while fishing with clients any more. If they pass SB 294, he urged them to please keep the sunset in it.

[3:49:48 PM](#)

KEN LARSON, Secretary, Prince William Sound Charter Association, North Pole, Alaska, opposed SB 294. They do not object to the data collection, but between the sport license fees that both instate and out-of-state residents pay and guide fees, they aren't getting much for their money. ADF&G needs to look at other funding sources, anyway. He said he saw no funding support from NOAA for the logbook data that they use.

MR. LARSON said sport fish license fee funding has been reduced because of the economy and other influences. For instance, revenues are down because of the one-fish limit on halibut, revenues from license sales and King salmon stamps were down 12 percent in 2009 and 5 percent in 2008, and it's probably going to go down in 2010; in 2011 the Limited Entry Program for halibut charters is going to eliminate 38 percent of the halibut charter fleet in Alaska. Scanning logbook data is a good idea as many data entry errors have been found during the ongoing Limited Entry Program process. But those cost reductions should mean position reductions in ADF&G if nothing else. At any rate, he said, the funding needs to be looked at and that's why they asked for the sunset to occur last year and that's why they are asking for it again this year.

[3:52:54 PM](#)

REED MORISKY, Wilderness Fishing, Inc., Fairbanks, Alaska, supported SB 294. He said this will be his 26th summer operating in Fairbanks. He believes the logbook information is needed for documenting consistent use and access to the resource. This act would ensure clients that minimum standards are met. Improvements have been made to the logbook program, as well, that allow the guide-supplied information to be scanned.

[3:54:02 PM](#)

SMOKEY DON DUNCAN, Master Guide 136, Fairbanks, Alaska, didn't support SB 294 as written. He wanted to see the program sunsetted if the following amendments were not adopted: an exemption from the licensing fee for fish guide businesses and sport fish guides who do not operate from a city, a town, village or permanent lodge, and an exemption from fees for camp-based or float-trip based guides and from multiple daily logbook

recordings for camp-based and float-trip based guides. Further he said the regulations should be changed to filling in the logbook within 24 hours and he wanted ADF&G to provide water proof containers for the logbook if requested. He also wanted the Coast Guard requirement deleted, because they are entirely absent from areas north of the Alaska Range.

MR. DUNCAN said this program has done nothing but cost him time, money and headaches. He recruits all of his clients with no help from the state, he pays land use fees, client day fees and he and his clients buy fishing licenses. He said "the state does virtually nothing to help promote or support the hunting and sport fishing guide industries." He said further that guides already pay enough for a business license, so why do they have to buy two licenses?

[3:57:03 PM](#)

JOHN BLAIR, Executive Director, Southeast Alaska Guides Association, Sitka, said he supported SB 294 for three reasons. First, because it is a clear-cut example of a program that actually works and does something right. Since its inception, the logbook program has successfully provided accurate and timely information for use by the Board of Fisheries and ADF&G. Second, the log book program has become the only effective means of collecting data on the sport fishing industry in an objective and unbiased manner. Having independent and non-industry based collection and enforcement insures credibility of the information, so the information is dependable. Third, these data are essential to ensure conservation and sustainability of our fisheries. Without the logbook program there would be no quality data and science that have become the foundation of sound fisheries management. Alaskans pride themselves on their fisheries management based on facts and science.

[3:58:35 PM](#)

SENATOR WAGONER asked how many members are in his group in Southeastern Alaska.

MR. BLAIR answered that it represents over 100 vessels and lodge owners throughout the region.

[3:58:55 PM](#)

WADE WILLIS, Anchorage, Alaska, said he used to be a guide and he was concerned about the sustainability of the state's fisheries. The state needs to look further down the road and develop an occupational licensing board that licenses all occupations that can insure that the quality of the guiding

industry is as good as it can be. He supported extending the program for two more years.

[4:01:22 PM](#)

RICKY GEESE, Executive Director, Kenai Sport Fishing Association, supported SB 294. He said the data has become an extremely useful tool for the department to use for management of the resources. He concurred with the need for an occupational board to set minimum standards.

[4:02:32 PM](#)

REUBEN HANKIE, owner and operator of a small Kenai River fishing business, supported SB 294. He pointed out that hunters need licenses in the field. Collecting the data had some problems at first, but those are getting ironed out. He said that he didn't have any problem filling out his logbook in the rain, and data collection is of utmost importance to the fishing industry.

[4:04:21 PM](#)

DAVE GOGGIA, President, Kenai River Professional Guide Association, said he is an owner of a small guide service on the Kenai River, and supported SB 294. He said he tries to keep his logbook as dry as possible and that seems to work for him. Board of Fisheries members want accurate data, and to him that is important to making any kind of decisions that affect everybody in the state.

[4:05:38 PM](#)

MS. YUHAS stated that the department is very happy with the version before them. Should the legislature decided to audit or repeal this program at any point in the future, they can do that without a sunset.

MR. SWANTON said the logbook started out being 11.5X17 inches and those have been reduced to a standard 8.5X11 inches that is scanable. Access to that data will be reduced from eight to nine months down to one to two weeks. These were some of the major criticisms they had in the past from the public. They are planning to do the same thing with the fresh water logbook program starting this fall; that program will be scanable in 2011. He said this data collection program has been reviewed by national experts who found that Alaska sets the standards for quality and statistical precision.

[4:08:00 PM](#)

CO-CHAIR WIELECHOWSKI closed public testimony. He said he intended to hold the bill and asked for amendments by tomorrow at noon.

**SB 143-RAILBELT ENERGY & TRANSMISSION CORP.**

[4:08:23 PM](#)

CO-CHAIR WIELECHOWSKI announced SB 143 to be up for consideration.

CO-CHAIR MCGUIRE moved to adopt CSSB 143(), 26-LS1041\S, for discussion purposes only. There were no objections and it was so ordered.

[4:09:08 PM](#)

CO-CHAIR WIELECHOWSKI objected for an explanation.

[4:09:37 PM](#)

JIM STRANDBERG, Project Manager, Alaska Energy Authority, said he was happy to be here discussing the Greater Railbelt Energy Transmission Corporation (GRETC) bill. He said that last week he provided an overview of it. He is now back with the CS in hand.

MR. STRANDBERG said they worked collaboratively with the utilities using two key documents to create the statute: the REGA study (business study) and Integrated Railbelt Resource Plan. What keeps coming back is the capital shortfall. If the state may in some way be involved financially, it would make sense that the vehicle they construct for that should be done in a partnership fashion between the state and the utilities so it can handle the money.

[4:13:26 PM](#)

SENATOR FRENCH said he didn't understand how combining six utilities makes them stronger. Their assets don't go up and their balance sheet doesn't get any better. But he could see how adding state money would make a difference.

MR. STRANDBERG answered REGA projected that if utilities joined together, that would provide more efficient use of infrastructure and get financing on better terms. Appendix B done by Seattle Northwest discusses that.

SENATOR FRENCH asked if there is a multiplier effect.

MR. STRANDBERG replied that the company is designed to capitalize itself through equity injections from, perhaps, the

state. When you build a company you need a certain amount of skin in the game. If you do that you are able to borrow money. First they need bylaws and a board and then it needs to create equity so they can borrow money. This bill is a framework through which these processes can occur. When the company sells bonds, they are rated and the lower the risk the lower the interest rate.

[4:16:59 PM](#)

MR. STRANDBERG explained that the other question is why not allow the utilities to form a joint action agency (JAA), an existing business structure. A fully functional generation and transmission entity in a mature network should be able to do four tasks: manage the transmission system, evolve towards regional economic dispatch so that the generators are used most efficiently, be able to have long range regional planning for major projects, and do joint project development. In many ways the JAA language is focused on the fourth element, joint project development. A portion of the JAA language is relatively open architecture; so there are ways for the utilities to use that to move forward to do things together. But GRETC is really designed to embrace those four elements of the future network in an ordered fashion and in a manner that the utilities are comfortable with. It is a more complete solution.

[4:19:14 PM](#)

BRIAN BJORKQUIST, Senior Assistant Attorney General, Department of Law (DOL), said he has represented the AEA and the AIDEA for about 13 years and has been involved with the acquisition of the Snettisham Hydro Electric Dam and the financing of that, the divestiture of the Four Dam Pool by the AEA and the financing of that by AIDEA, AEA's Bradley Lake Hydro Electric Project and the Alaska Intertie. He explained that the corporation in the CS is modeled after a generation and transmission (G&T) cooperative, a type of entity where utilities get together to jointly provide for their generation and transmission needs. The utilities in a G&T-type format are still the distribution element; so the utilities would take wholesale power from the G&T cooperative and then sell it to their retail customers.

The original bill created one specific corporation. This bill has been changed to provide a general law for creation of a form of energy and transmission corporation. Within it there are limitations on who can form. It has to be four or more municipal or cooperative utilities and there has to be approval by law for the formation.

The bill has the actual authorization for the formation and is modeled similar to the one used in AS 42.310 to form a JAA (Joint Action Agency) requiring legislative approval for the acquisition of a project from the AEA.

This legislation subtly shifts from the original bill that was a little more of a quasi-public corporation with the corporation anticipated to take on more of a function for the Railbelt region, in particular. This bill provides a little bit more flexibility for the utilities. They are not required at any point, and there is no expectation that they have to, to obtain all their power from this one entity. The last bill had an implication that they would. It still has elements of being a quasi-public entity as this entity would be performing public services for the region that it serves.

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MR. BJORKQUIST said this draft also reflects a combination of long work with the task force, the utilities, and most recently with the DOL and Legislative Legal and attempts to clean up the language and achieve the intent. He said this draft responds to every question that was raised with one exception at Legislative Legal's suggestion - to clarify that there is no issue with some of the rate regulation exemption provisions and how they can apply.

[4:24:14 PM](#)

He elaborated that sections 1, 4, and 5 deal with exemptions from rate regulation. These three sections will become effective in 2015 after which there will be five years of regulation under the Regulatory Commission of Alaska (RCA) and then rate regulation takes place. The rate regulation provisions exempt this corporation from regulation by municipalities and the RCA. Provisions in the Municipal Code and RCA statutes basically provide that if an entity is exempt from regulation by RCA, a municipality, city or borough can regulate. This exempts it from municipal and RCA regulation in combination.

SENATOR FRENCH asked him to explain why that is a good idea.

MR. BJORKQUIST answered that they would hear from the utilities that the cost of regulation outweighs the benefits, and that a G&T cooperative-type model elsewhere is not subject to rate regulation. And for a variety of reasons they would also hear from them why that might be appropriate.

SENATOR FRENCH said he would flag that issue for later.

4:26:16 PM

CO-CHAIR WIELECHOWSKI asked him about the practical impact of the five-year exemption and if that would apply to projects that were built during that five years or projects that were permitted during that five years.

MR. BJORKQUIST replied during the first five years it would apply to any business that the corporation would be involved with whether it was with an existing asset that they acquired or a new asset that was built during the five year period of time. The contemplation in the formation of the corporation is that there may not be many assets put into the corporation early on, because the utilities have the flexibility to retain the current assets. But the bill also contemplates that the GRETC might not need to acquire title to an asset in order to exert operational control over it like Mr. Strandberg talked about. For the first five years it is going to be subject to rate regulation no matter what, but after that it would be exempt from regulation from basically any power that it sold.

CO-CHAIR WIELECHOWSKI asked if Chugach Electric owned a generation plant under its name and the board wanted to get a rate approved they would still have to go through the RCA process, but if they put the asset into GRETC then they are exempt for five years.

MR. BJORKQUIST answered for the first five years they are subject to rate regulation, but not after five years.

CO-CHAIR WIELECHOWSKI asked if GRETC wanted, in six years from passing the bill, to go out and build Susitna Hydro to provide electricity for the entire Railbelt, then they wouldn't have to go before the RCA.

MR. BJORKQUIST replied yes.

CO-CHAIR WIELECHOWSKI asked but if they want to do it in year five, they have to go to the RCA.

MR. BJORKQUIST answered at least for that one year of operation.

SENATOR FRENCH asked if rate regulation means going before the RCA to get approval for rates.

MR. BJORKQUIST answered yes.

SENATOR FRENCH asked if GRETC would sell power to individual customers or through Chugach, ML&P and Golden Valley.

MR. BJORKQUIST replied that the contemplation as he has heard from the task force is that most of the power will be sold at whole to individual utilities. The corporation has the authority to sell power to industrial customers with some limitations. It cannot sell power to an industrial customer in a service territory of another public utility unless that public utility consents (AS 42.50.090 (24)).

SENATOR FRENCH asked if Homer Electric decides to participate in GRETC, can they participate as much or as little as they like. Can they decide what portion of their association's assets they want to turn over to GRETC or not?

MR. BJORKQUIST answered that it doesn't work exactly that way.

SENATOR FRENCH asked what you have to pay to get into GRETC.

MR. BJORKQUIST answered nothing has to be paid to become a member. Those that provide a sufficient letter of intent to AEA by the deadline can become a member. There is no obligation for a member to acquire any level of services or anything else. Getting to the point of what assets would be in and what assets would be out, it's not just a matter of what the utility would desire but also a negotiation with the corporation, itself. The utility might not want to provide the best of assets and GRETC would want the best.

CO-CHAIR WIELECHOWSKI said he thought the utilities would have a very high burden to prove why not being regulated after five years is a good thing. But they would testify tomorrow.

MR. BJORKQUIST said section 2 would become effective in 2015 and provides that a wholesale agreement for the sale of power from GRETC to a utility is not subject to approval or review by the RCA until all the long term debt incurred for the project is retired. This provision currently applies to the Bradley Lake Hydro Electric Project and Swan Lake and Lake Tyee, two of the Four-Dam Pool project,. Its purpose is to assist in financing projects by helping with a reliable source of repayment. This provision does that.

CO-CHAIR WIELECHOWSKI asked him to explain what kind of contracts they would have for storage in Section 2.

MR. BJORKQUIST said the language there is similar to the exemption language for Bradley Lake and Four Dam Pool. It might be storage of electricity, but the only part of the system in the Railbelt that he is familiar with is Golden Valley that has a BESS system. It also might be water storage in a dam.

CO-CHAIR WIELECHOWSKI asked if that would apply to gas storage.

MR. BJORKQUIST answered that it potentially could.

CO-CHAIR WIELECHOWSKI asked if this might be exempting them from gas storage regulation.

MR. BJORKQUIST answered this would be an exemption from the wholesale contract between GRETC and the public utility for that service.

[4:35:23 PM](#)

MR. STRANDBERG added that this was not meant for gas or fuels. It is for repurchase of power and power is electricity.

SENATOR FRENCH said he was considering an amendment to insert "electric" in front of "power" on line 16, to make it clear.

[4:36:28 PM](#)

MR. BJORKQUIST went to Section 6 on page 3 that is the bulk of statutory section for an energy and transmission corporation. Lines 16-19 speak of four or more electric utilities if authorized by law can form a corporation. Lines 20-25 outline why the corporation is formed: to acquire, operate or maintain projects from the AEA, and for planning, coordinating and addressing generation and transmission concerns of the region.

He highlighted a few of the purposes on page 3, line 30; one was to be a primary recipient of state financial assistance for G&T projects in the region. This is not a legal obligation, but for a decade the Railbelt utilities have been told that they need to organize and coordinate with each other if they are going to get access to the Railbelt Energy Fund. This is the mechanism for them to organize to get access to those funds.

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CO-CHAIR WIELECHOWSKI said on page 3, line 13-19, it says "four or more municipal or cooperative public utilities may organize an energy and transmission corporation." So, it appears there could be multiple corporations.

MR. BJORKQUIST pointed out that line 18 also says "if first authorized by law." So the legislature would have to allow that to happen.

SENATOR FRENCH asked if something else was needed in terms of authorization language.

MR. BJORKQUIST replied that the authorization that is required by law is in Section 13. It authorizes four or more of the listed Railbelt public utilities to form a G&T corporation, the GRETC. Section 14 provides for the letter of intent to the AEA for a conditional membership.

SENATOR FRENCH asked if subsequent legislation is necessary in order for GRETC to form itself.

MR. BJORKQUIST answered not with this bill.

CO-CHAIR WIELECHOWSKI asked why not say "organize the Greater Railbelt Energy and Transmission Corporation" just so they are perfectly clear on page 3, line 18.

MR. BJORKQUIST replied there are two interrelated reasons for having an active general law. As Legislative Legal pointed out it helps address that potential constitutional problem. And, the task force changed the bill to make GRETC a little bit less of a quasi-public corporation and a little bit more of a private corporation. He explained that the original bill was modeled after CFAB, which is a quasi-public type organization that is private in many ways, but serves a public function.

[4:41:18 PM](#)

Provisions on page 4, lines 3-21, focus on the detail of the planning that this corporation would provide. Some general provisions are similar to the original bill as to what the powers, intentions and purposes for the corporation are. Page 4, lines 28 through page 5, line 1, subsection (g) has language emphasizing that this corporation provides interconnection-type services. Other provisions in the bill talk about it providing operating standards. That is important particularly in the Railbelt, because the current operating standards between utilities is partially voluntary and partially by contract.

MR. BJORKQUIST said the Alaska Intertie Agreement includes reliability and operating standards that are supposed to apply to the Railbelt. Not all the utilities in the Railbelt are signatories to them, but several of the utilities voluntarily

follow those standards. That agreement is scheduled to terminate in October. So, a GRETC formed under this legislation will fill a void that otherwise would be missing as to liability and interconnection standards.

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He also pointed out that (b)(2) in Section 8 on page 18 amends AS 42.50.100 (that takes effect in 2015) to clarify that this organization would not be able to preclude independent power producers (IPP) from getting access to the transmission system. This means that the RCA's jurisdiction over joint use and interconnection would continue over this organization even after it is no longer subject to regulation. This is the one point that Legislative Legal suggested and that is the intent.

[4:44:41 PM](#)

CO-CHAIR WIELECHOWSKI said you have an IPP, Fire Island for instance, and they want to put their power into this system, how would the interconnection work? What if they can't come up with an acceptable cost agreement?

MR. BJORKQUIST replied that two statutes under RCA regulation are cited in that section; one provides an obligation on utilities to negotiate for joint use and interconnection. The second reference says that if utilities don't negotiate an adequate deal that the RCA can step in and order joint use and interconnection as well as establish rules that would apply to that.

CO-CHAIR WIELECHOWSKI asked the question again - how (b)(2) on page 18, lines 7-9, prevents exclusion of an IPP, because he thought this would be a big issue down the line.

MR. BJORKQUIST responded that AS 42.05.311 requires utilities to negotiate joint use and interconnections so that an IPP can put its power onto a transmission system for sale to its purchaser. The utilities have an obligation to negotiate that to happen, and if they fail to do that, the second statutory provision is when the RCA steps in and orders that to happen with the terms and conditions that would be applicable.

CO-CHAIR WIELECHOWSKI asked if that would happen after a comprehensive hearing with the RCA.

MR. BJORKQUIST answered that he had only been involved with joint use and interconnection in one context and that had to do with the 19 miles of the original Alaska Intertie that was

subject to contract between the AEA and Matanuska Electric. Matanuska Electric terminated the contract, and in order to not allow a disruption of services, the other utilities went to the RCA to get joint use and interconnection. Negotiations happened for a period of time, followed by a hearing before the RCA that ordered joint use and interconnection with the terms and conditions.

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MR. BJORKQUIST said language on page 5 explains the makeup of the board of directors. Each public utility GRETC member will have two directors, the governor will select another one from a list of directors submitted by the public utility members.

He said language on page 7, line 17, describes membership. There are two types of members of a G&T corporation - the two public utility director representatives and then members who are other entities that purchase power services from that, but they do not have representative directors. The qualifications for membership as a public utility member include: it has to be a municipal or cooperative and it has to be electrically interconnected. It excludes affiliates of public utility members so there aren't duplicate voting rights.

CO-CHAIR WIELECHOWSKI assumed that the membership definition includes the seven Railbelt utilities.

MR. BJORKQUIST answered that originally section 13 listed six eligible Railbelt utilities that could become a member that don't go through this process. If they satisfy the condition under Section 14 they will become an original public utility member as well. Others would have to satisfy those criteria and then be approved for membership by a two-thirds vote of the board of directors.

CO-CHAIR WIELECHOWSKI asked if his definition of a public utility member starting on page 7, line 23, included the six public utilities.

MR. BJORKQUIST answered yes. He added that language starting on page 9, line 25, listed most of the powers of electric cooperatives as the general powers of the corporation. He highlighted that section (a)(8) on page 10, line 13, allows for sales to industrial customers if it is to a public utility with a service territory, and that section (a)(15) on page 11, line 8, is the power to exercise eminent domain. This power is granted to every public utility but it has a limitation. GRETC

cannot exercise eminent domain to take generation or transmission assets from another public utility. So, it has lesser powers than a public utility has, but no more.

Language on page 12, lines 10-14, contains a limitation to protect the GRETC members' preclusion from having bilateral contracts with others for a power sale or wheeling.

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Four sections starting on page 12, line 21 provide for regional planning, one of the areas where GRETC may provide some significant advantages. Rate regulation generally doesn't address rate issues until after a project is built; so you miss an opportunity to pick between alternatives. He said that the best opportunity to save money for ratepayers frequently is before it is spent constructing a project, a point in time where the best choice can be decided upon. Having regional planning can be effective in a number of ways to help that process. First, the information is available to the corporation and members to help them make better decisions. But the ratepayers will have the information as well as the legislature, which will have that information both for oversight activities and in dealing with state financial assistance to the corporation. If there are choices being made in the regional planning that the legislature would question, that will come up when the state financial assistance is being discussed.

SENATOR WAGONER asked why have GRETC be capable of exercising the power of eminent domain if all the member organizations already have it and they are much more answerable to the constituents that live in that district where eminent domain is going to be used. He said he has always had trouble with taking private property for a public purpose, and he wasn't comfortable with that section.

MR. BJORKQUIST replied that the purpose of this section is to give the entity that would be needing the property to be able to develop their project the power to achieve that. If the corporation did not have that power, it would have less power than any other public utility and arguably wouldn't be able to develop a project unless some other entity would be willing to exercise its powers of eminent domain. It might create problems also because eminent domain requires paying for what is being taken. There is a synergy to having the entity that is developing the project and going to be responsible for the payment having that power.

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SENATOR WAGONER said he hated to argue the point, but some property owners haven't always been paid what they think their property is worth, and he thought they were "going a step too far with this eminent domain." He could envision Homer Electric, for instance, objecting to a project in their area and hiding behind this organization that is taking property through eminent domain. A lot of people wouldn't understand this organization.

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MR. STRANDBERG said he shared his concern about "the heavy hand of government taking away land for public purposes." But one of the most difficult parts of the company is going to be securing property so it can actually build transmission lines. The AEA has been working with ML&P on a new transmission line from Hatcher Pass down to Knik where they face those issues. While the eminent domain power is there, he said, in practice "we do not even look at going there." And it is very common for G&T organizations throughout the United States to have some form of eminent domain power. The hope is to have the right board structure and the right governance so that concerns from the retail customer flow up into the governance of the new company.

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CO-CHAIR WIELECHOWSKI said it would be a policy call.

MR. BJORKQUIST said this bill contemplates that state financial assistance will be provided and that language in AS 42.50.150 on page 14, lines 11, listed types of state financial assistance that the corporation may obtain. He pointed out that nothing in this bill obligates the state to provide any financial assistance and neither does it limit the strings the legislature can impose with any state financing that is provided. There is also every expectation that there will be negotiations about terms and conditions that are going to be attached to it. This bill is just a starting point for a lot of the terms and conditions that might be imposed more specifically on a project by project basis.

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Going back to page 12, lines 25-30, Mr. Bjorkquist pointed out that in the integrated resource plan and the long-range fuel supply plan, the corporation is obligated to evaluate and consider state energy plans or other plans, and if they chose to deviate from them they have to include a report explaining the differences. This is important because it creates transparency and political accountability. He said the many other terms and

conditions in the bill tie to corporate type functions while some are unique to GRETC. He offered to answer questions about details.

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CO-CHAIR WIELECHOWSKI said they really appreciated his testimony and that SB 143 would be held for further work. He said they had a lot to digest and adjourned the meeting at 5:02.