

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

March 17, 2011

3:07 p.m.

**MEMBERS PRESENT**

Representative Lance Pruitt, Co-Chair  
Representative Bob Lynn  
Representative Kurt Olson  
Representative Dan Saddler  
Representative Pete Petersen  
Representative Chris Tuck

**MEMBERS ABSENT**

Representative Neal Foster, Co-Chair

**COMMITTEE CALENDAR**

**HOUSE BILL NO. 39**

"An Act requiring a utility applying to the Regulatory Commission of Alaska for a new or revised rate to have a refund procedure in place."

- HEARD & HELD

**HOUSE JOINT RESOLUTION NO. 20**

Urging the President of the United States, the United States Congress, and the Secretary of the United States Department of Agriculture not to implement protection of inventoried roadless areas under the "roadless rule" or otherwise restrict the development of necessary hydroelectric projects in the Tongass National Forest and the Chugach National Forest.

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

**BILL: HB 39**

**SHORT TITLE: RCA UTILITY RATES; REFUND PROCEDURES**

**SPONSOR(S): REPRESENTATIVE(S) PETERSEN**

01/18/11	(H)	PREFILE RELEASED 1/7/11
01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	ENE, L&C
02/10/11	(H)	ENE AT 3:00 PM BARNES 124

02/10/11 (H) Heard & Held  
02/10/11 (H) MINUTE(ENE)  
03/17/11 (H) ENE AT 3:00 PM BARNES 124

#### **WITNESS REGISTER**

DAVID DUNSMORE, Staff  
Representative Pete Petersen  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented changes to HB 39 in Version T, on behalf of Representative Petersen, sponsor.

STUART GOERING, Assistant Attorney General  
Commercial/Fair Business Section  
Civil Division (Anchorage)  
Department of Law (DOL)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered a question during the hearing on HB 39.

#### **ACTION NARRATIVE**

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**CO-CHAIR LANCE PRUITT** called the House Special Committee on Energy meeting to order at 3:07 p.m. Representatives Pruitt, Saddler, Petersen, Tuck, and Olson were present at the call to order. Representative Lynn arrived as the meeting was in progress.

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**CO-CHAIR PRUITT** announced that HJR 20 was scheduled but would not be heard at the request of the prime sponsor, Representative Kyle Johansen.

#### **HB 39-RCA UTILITY RATES; REFUND PROCEDURES**

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**CO-CHAIR PRUITT** announced that the only order of business would be HOUSE BILL NO. 39, "An Act requiring a utility applying to the Regulatory Commission of Alaska for a new or revised rate to have a refund procedure in place."

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REPRESENTATIVE PETERSEN removed his objection to HB 39, Version D, which was left pending at the House Special Committee on Energy meeting of 2/10/11.

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REPRESENTATIVE SADDLER made a motion to adopt HB 39, Version 27-LS0228\T, Kane, 2/25/11, as the working document. There being no objection, Version T was before the committee.

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DAVID DUNSMORE, Staff, Representative Pete Petersen, Alaska State Legislature, informed the committee that the Regulatory Commission of Alaska (RCA) has scheduled discussion of the bill for its meeting on 3/23/11. House Bill 39, Version T, reflects several changes from the previous version that were suggested by the Department of Law (DOL), and presents a "win" position for consumers, utilities, and the RCA. He directed attention to page 1, beginning at line 6, and said the change in Section 1, Subsection (e), requires that a refund plan is submitted within 60 days after the granting of an interim and refundable rate, instead of at the time of the rate filing. This change decreases the possibility of an unnecessary filing by a utility. Mr. Dunsmore continued that Subsection (e) further allows a utility to submit its refund plan in a procedure preapproved by the RCA through regulations, in a plan previously approved by the RCA and put in the utility's tariff, or in a case-specific refund plan. Subsection (f) requires the RCA to adopt regulations relating to Subsection (e), and Subsection (g) requires that the ruling on the refund plan occurs with or before the final ruling on the rate case. Section 2 is the uncodified implementation provision that requires the RCA to begin the process of adopting the regulations within 30 days of the effective date of Section 2. Sections 3 and 4 are effective date clauses that change the effective date of Section 1 to 7/1/13, and the effective date of Section 2 to "immediate."

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REPRESENTATIVE TUCK asked for a review of the three ways a utility can submit its plan.

MR. DUNSMORE restated the three options.

REPRESENTATIVE SADDLER asked for clarification on the second option.

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MR. DUNSMORE explained that the second procedure allows an individual utility to determine its particular organizational needs for a specific procedure that may be different from the preapproved procedure. With the approval of the RCA, the procedure would be part of the utility's tariff.

REPRESENTATIVE SADDLER surmised an application for an original tariff, or for amendments, would provide an opportunity to include a refund procedure.

MR. DUNSMORE indicated yes.

REPRESENTATIVE SADDLER then asked whether the preapproved procedure could apply to all utilities.

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MR. DUNSMORE opined that it is up to the RCA to define how that would work; in fact, the intent of the legislation is to leave that to the RCA's discretion after hearing from ratepayers and the utilities.

CO-CHAIR PRUITT recalled that the RCA earlier expressed concerns about implementing regulations on a refund, before a refund situation arises. He asked for the RCA's "comfort level" on this issue.

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MR. DUNSMORE relayed the sponsor's intention to review any concerns raised by the RCA and DOL. He referred to the rate refund case involving ENSTAR Natural Gas Company (ENSTAR), and noted that in that case there was a gas cost adjustment process, which does not usually result in an interim rate. As the bill was originally written, that procedure may not have been identified; however, with the change allowing the filing to occur 60 days after the interim rate has been approved, this problem is solved. Mr. Dunsmore advised that the technical reasons to choose one refund plan over another are best left to the regulation process and the RCA's professional staff; for example, if a utility does not have available cash to pay a

refund, the repayment may be structured over a period of time, thus the RCA should address this in the regulatory process.

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REPRESENTATIVE OLSON asked whether the RCA has opened a docket on this issue.

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STUART GOERING, Assistant Attorney General, Commercial/Fair Business Section, Civil Division (Anchorage), Department of Law (DOL), said the RCA has not opened a docket on this subject, and that would be required by this proposed legislation. He pointed out that the RCA already has the authority to require the filing of refund plans at the beginning of a rate case, rather than the traditional practice of waiting until the end, which may possibly become a desirable procedure with rate cases in order to find out what problems exist with preapproved refund plans.

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[HB 39 was heard and held.]

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 3:24 p.m.