

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

February 26, 2015  
10:20 a.m.

**MEMBERS PRESENT**

Representative Jim Colver, Co-Chair  
Representative Liz Vazquez, Co-Chair  
Representative David Talerico  
Representative Cathy Tilton  
Representative Matt Claman  
Representative Adam Wool

**MEMBERS ABSENT**

Representative Benjamin Nageak

**COMMITTEE CALENDAR**

PRESENTATION: ALASKA HOUSING FINANCE CORPORATION

- HEARD

HOUSE BILL NO. 58

"An Act making an entity that is exempt from federal taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code) and a federally recognized tribe eligible for a loan from the Alaska energy efficiency revolving loan fund; and relating to loans from the Alaska energy efficiency revolving loan fund."

- HEARD & HELD

HOUSE BILL NO. 78

"An Act bearing the short title of the 'Alaska Competitive Energy Act of 2015'; and relating to the Regulatory Commission of Alaska."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 58

SHORT TITLE: ELIGIBILITY FOR AK ENERGY EFFIC LOANS

SPONSOR(S): REPRESENTATIVE(S) KREISS-TOMKINS, MILLETT

01/21/15 (H) PREFILE RELEASED 1/16/15

01/21/15 (H) READ THE FIRST TIME - REFERRALS  
01/21/15 (H) ENE, L&C, FIN  
02/10/15 (H) ENE AT 10:15 AM CAPITOL 17  
02/10/15 (H) Heard & Held  
02/10/15 (H) MINUTE(ENE)  
02/26/15 (H) ENE AT 10:15 AM CAPITOL 17

BILL: HB 78

SHORT TITLE: REGULATORY COMMISSION OF ALASKA

SPONSOR(S): REPRESENTATIVE(S) WILSON

01/23/15 (H) READ THE FIRST TIME - REFERRALS  
01/23/15 (H) ENE, L&C  
02/24/15 (H) ENE AT 10:15 AM CAPITOL 17  
02/24/15 (H) Heard & Held  
02/24/15 (H) MINUTE(ENE)  
02/26/15 (H) ENE AT 10:15 AM CAPITOL 17

**WITNESS REGISTER**

JOHN ANDERSON, Director  
Division of Research and Rural Development  
Alaska Housing Finance Corporation  
Department of Revenue  
Anchorage, Alaska

**POSITION STATEMENT:** Directed the committee's attention to documents provided in the committee packet related to a previous hearing.

REPRESENTATIVE JONATHAN KREISS-TOMKINS  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking as the sponsor, described the changes made by the committee substitute for HB 58, labeled 29-LS0254\H, Nauman, 1/27/15.

MIGUEL RORHBACHER, Staff  
Representative Jonathan Kreiss-Tomkins  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing on HB 58, on behalf of Representative Kreiss-Tomkins, sponsor, explained the meaning of various nonprofit tax codes.

JOHN ANDERSON, Director  
Division of Research and Rural Development  
Alaska Housing Finance Corporation

Department of Revenue  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 58, answered questions and stated that Alaska Housing Finance Corporation had no position on the bill.

CHRIS ROSE, Executive Director  
Renewable Energy Alaska Project  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 58, testified in support of the bill.

JOEL NEIMEYER, Federal Co-Chair  
Denali Commission  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 58, testified in support of the bill.

DANIEL POWERS, Coordinator  
Fairbanks Nonprofit Retrofit Pilot  
Cold Climate Housing Research Center  
Fairbanks, Alaska

**POSITION STATEMENT:** During the hearing on HB 58, testified in support of the bill.

DAVE MESSIER, Rural Energy Coordinator  
Tanana Chiefs Conference  
Fairbanks, Alaska

**POSITION STATEMENT:** During the hearing on HB 58, testified in support of the bill.

JAMES BERTRAND, Law Partner  
Stinson Leonard Street  
Minneapolis, Minnesota

**POSITION STATEMENT:** During the hearing on HB 78, testified on behalf of Chugach Electric Cooperative, Inc.

CAROLYN ELEFANT, Owner  
Law Office of Carolyn Elefant  
Washington, D.C.

**POSITION STATEMENT:** During the hearing on HB 78, testified on behalf of the Alaska Independent Power Producers Association.

#### **ACTION NARRATIVE**

[10:20:48 AM](#)

**CO-CHAIR LIZ VAZQUEZ** called the House Special Committee on Energy meeting to order at 10:20 a.m. Representatives Claman, Talerico, Colver, Tilton, and Vazquez were present at the call to order. Representative Wool arrived as the meeting was in progress.

**PRESENTATION: ALASKA HOUSING FINANCE CORPORATION**

[10:22:07 AM](#)

CO-CHAIR VAZQUEZ announced that the first order of business would be an update of the report presented by the Alaska Housing Finance Corporation on 1/27/15.

[10:22:21 AM](#)

JOHN ANDERSON, Director, Division of Research and Rural Development, Alaska Housing Finance Corporation (AHFC), Department of Revenue (DOR), in order to provide an update to the presentation on 1/27/15, directed the committee's attention to the following documents provided in the committee packet: public facility loan program guide; a white paper on public facilities; an executive summary on the 2014 Alaska housing assessment study; AHFC Rebate and Weatherization Waitlists; budgetary summary of programs; responses to questions.

[10:23:54 AM](#)

The committee took an at ease from 10:23 a.m. to 10:25 a.m.

[10:25:09 AM](#)

CO-CHAIR VAZQUEZ postponed the update until later in the meeting.

[During the hearing on HB 58, Mr. Anderson answered questions. There was no further testimony from AHFC.]

**HB 58-ELIGIBILITY FOR AK ENERGY EFFIC LOANS**

[10:25:37 AM](#)

CO-CHAIR VAZQUEZ announced that the next order of business would be HOUSE BILL NO. 58, "An Act making an entity that is exempt from federal taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code) and a federally recognized tribe eligible for a loan from the Alaska energy efficiency revolving loan fund; and

relating to loans from the Alaska energy efficiency revolving loan fund."

[Before the committee was the committee substitute (CS) for HB 58, labeled 29-LS0254\H, Nauman, 1/27/15, which was adopted by the committee on 2/24/15.]

[10:26:09 AM](#)

REPRESENTATIVE JONATHAN KREISS-TOMKINS, Alaska State Legislature, sponsor of HB 58, informed the committee the substantive change between HB 58 and the committee substitute for HB 58, [29-LS0254\H, Nauman, 1/27/15], was the inclusion of additional nonprofit entities such as the Veterans of Foreign Wars (VFW) and American Legion organizations, which qualify for a separate tax-exempt status.

[10:27:13 AM](#)

The committee took a brief at ease.

[10:28:15 AM](#)

REPRESENTATIVE KREISS-TOMKINS clarified that before the committee was the CS for HB 58, Version H.

CO-CHAIR VAZQUEZ asked for a page-by-page explanation of the changes to the bill.

REPRESENTATIVE KREISS-TOMKINS directed attention to Version H on page 4, lines 17-18, which read:

(3) "tax-exempt entity" means an entity designated as tax exempt under 26U.S.C.501(c)(3),(4),(6),(12), or (19)(Internal Revenue Code).

REPRESENTATIVE KREISS-TOMKINS explained that there are different kinds of nonprofits under tax code 501(c)(3). In further response to Co-Chair Vazquez, he said the CS includes additional nonprofit tax exempt entities such as those that qualify under 501(c)(19).

CO-CHAIR VAZQUEZ asked how the tax code differs.

[10:30:39 AM](#)

MIGUEL RORHBACHER, Staff, Representative Jonathan Kreiss-Tomkins, Alaska State Legislature, speaking on behalf of Representative Kreiss-Tomkins, sponsor of HB 58, informed the committee that examples of nonprofits are as follows: (c)(3) - United Way and food banks; (c)(4) - League of Women Voters and community softball leagues; (c)(6) - business organizations and chambers of commerce; (c)(12) - utility and agricultural cooperatives; (c)(19) - veteran's services.

[10:33:03 AM](#)

JOHN ANDERSON, Director, Division of Research and Rural Development, Alaska Housing Finance Corporation (AHFC), Department of Revenue (DOR), said he was available for questions and Alaska Housing Finance Corporation had no position on the bill.

CO-CHAIR VAZQUEZ asked whether HB 58 would have an impact on the [Alaska energy efficiency revolving loan program (AEERLP), Alaska Energy Authority, (AEA), Department of Commerce, Community & Economic Development (DCCED)].

MR. ANDERSON was unsure. There could be an increase of activity but that is unknown at this time. Alaska Housing Finance Corporation outreach related to the energy efficiency revolving loan fund program (AEERLP) has involved many of the nonprofit entities identified by the proposed legislation. In further response to Co-Chair Vazquez, he said the program is administered by AHFC, and the last loan approved was to the Department of Transportation & Public Facilities (DOT&PF) in the amount of \$3.7 million, at 3.6 percent interest for a 15-year term.

[10:35:17 AM](#)

REPRESENTATIVE TILTON surmised the bill extends eligibility to some tribal entities, and the CS adds other nonprofits, but there are no eligible entities that have been awarded funds at this time.

REPRESENTATIVE KREISS-TOMKINS said the fund has been underutilized to date.

REPRESENTATIVE TILTON observed that the fund has not been used - perhaps because grants have been available - and asked if the fund may not be necessary. She said, "Do you have kind of an

idea ... how many different entities would be, this would be able to open it up for?"

MR. ANDERSON pointed out that the fund is not "sitting there." Senate Bill 220 [passed in the 26th Alaska State Legislature] provided AHFC the authority to bond for \$250 million. In fact, AHFC intends to identify a group of projects and then apply for bonding. In further response to Representative Tilton, he said the interest rates are determined through a market-driven process and AHFC strives to make the best use of the program.

REPRESENTATIVE TILTON asked whether other funds are available to nonprofit entities for energy efficiency.

MR. ANDERSON said AHFC was not aware of any other financing mechanisms within state agencies.

[10:39:49 AM](#)

REPRESENTATIVE WOOL asked how the program differs from the [Alaska Housing Finance Corporation (AHFC) homeowner weatherization and energy efficiency programs].

MR. ANDERSON advised that residential energy efficient retrofits are simple when compared to commercial projects. Superficially, the two programs are similar in concept in that an audit is done, the improvements are made, and a post-audit shows the increase in energy efficiency; however, commercial buildings are more in-depth. In further response to Representative Wool, he affirmed that the program is intended for public facilities or commercial operations of any size.

REPRESENTATIVE TILTON asked for an example of a project.

REPRESENTATIVE KREISS-TOMKINS said examples in Fairbanks would be provided.

CO-CHAIR VAZQUEZ inquired as to pending applications.

[10:42:43 AM](#)

MR. ANDERSON said about six applications are in the technical review process. In further response to Co-Chair Vazquez, he advised that over the past two years AHFC has provided many presentations to organizations such as Rotary International, the Alaska Municipal League, the Institute of Architects, Renewable Energy Alaska Project, and the Alaska Association of Facility

Administrators. In fact, a large energy efficiency conference in Anchorage is upcoming that will reach many other organizations. Although AHFC has no operating funds for the program, presentation requests are fulfilled by staff, including contacts with DOT&PF, and the Department of Education and Early Development (EED).

CO-CHAIR VAZQUEZ asked for an example of the kind of project that can be financed through the loan program.

MR. ANDERSON noted that the loan program could replace fluorescent lights with LEDs, replace old boilers with energy-efficient boilers, remove windows, add insulation, and install better heating and ventilation systems.

REPRESENTATIVE TILTON asked whether the bill would extend the loan program to for-profit tribal entities.

REPRESENTATIVE KREISS-TOMKINS expressed his belief that the bill would do so. He directed attention to page 4, lines 15-16, which read:

(B) includes a subdivision, subsidiary, or business enterprise wholly owned by a federally recognized tribe;

REPRESENTATIVE KREISS-TOMKINS said he would accept an amendment to exempt business enterprises and limit loan qualification to the service-delivery entities which make up 98 percent of tribal activity in Alaska. In response to Co-Chair Vazquez, he said the bill has a zero fiscal note.

[10:48:01 AM](#)

REPRESENTATIVE TALERICO asked whether the sponsor would object to "a sunset on the eligibility for the nonprofits and tribal entities."

REPRESENTATIVE KREISS-TOMKINS said he would welcome such an amendment. He assured the committee the intent of the proposed legislation was to help public facilities above nonprofits, thus another possible amendment would be to create a prioritization so AHFC satisfies the needs of public facilities first. This may be a different way to accomplish a sunset, or both concepts may be included in a future CS.

REPRESENTATIVE TALERICO asked the sponsor to provide the aforementioned concepts to the committee.

REPRESENTATIVE KREISS-TOMKINS agreed.

[The committee treated public comment as open on HB 58.]

[10:51:15 AM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), informed the committee REAP is a coalition of over 80 organizations across the state including electric utilities, Native corporations, independent power producers (IPPs), developers, businesses, and non-governmental organizations (NGOs). He said REAP was very interested in the loan fund when it was established in 2010. Through [Senate Bill 220, passed in the 26th Alaska State Legislature], the state mandated that a certain percentage of the state's public buildings are to be retrofitted by 2020. Mr. Rose said this is a very important issue for the state given its current economic situation. He recalled an AHFC white paper published 10/29/12, entitled, "Energy Use in Alaska's Public Facilities," which indicated over 5,000 public buildings could be improved by the current loan program, but unfortunately, no loans have been executed. He suggested that some potential applicants are waiting for grants, but said, "Those days are certainly over, at least for now." Potential applicants should be encouraged because AHFC estimated the state spends \$642 million annually on energy, which is close to 10 percent of the state's operating budget. A 20 percent savings is possible, after a retrofit of all of the buildings, and \$125 million could be saved every year. Alaska Renewable Energy Project supports the expansion of the program so that qualified entities and tribal organizations may "get some of these loans executed." Another action that may encourage the use of the program would be for EED to make it easier for school districts to participate. In conclusion, REAP supports the expansion of the program, energy efficiency, and saving money.

CO-CHAIR VAZQUEZ said she had made the acting commissioner of the Department of Administration aware of the program and asked Mr. Rose to provide him with further information.

[10:55:30 AM](#)

JOEL NEIMEYER, Federal Co-Chair, Denali Commission, informed the committee the Denali Commission, the Rasmuson Foundation, and the Cold Climate Housing Research Center (CCHRC), have embarked

on a pilot effort in Fairbanks in order to demonstrate the validity of energy audits followed by a loan program. The intent is to move the program to rural Alaska, where energy costs are very high. The Denali Commission regards the loan program as a potential tool for rural Alaska and supports expanding the number of eligible applicants. Mr. Neimeyer said work done on a community scale is more efficient as contracts for the energy audits, the construction of improvements, and the post-construction monitoring would be bundled. The program is an important tool for rural and urban Alaska.

10:57:42 AM

DANIEL POWERS, Coordinator, Fairbanks Nonprofit Retrofit Pilot, CCHRC, informed the committee he is working on the Fairbanks Nonprofit Retrofit Pilot project, one of the principles of which is that Alaska is stronger when nonprofits and tribal organizations spend less money on energy. The project is trying to solve the statewide issue of energy efficiency for nonprofits and has fourteen nonprofit and tribal participants that are getting energy audits, having initial meetings with contractors, studying the technical documents, and developing five-year plans and strategies for building owners, whenever possible. He said the expansion of the loan program offers advantages such as reduced requests for capital from nonprofits and tribal organizations, changes in the grant-based culture for energy efficiency projects, and reduced operating costs for nonprofits and tribal organizations. The project is collecting information from each participant about barriers to lending, and the barriers seen by auditors and funders. The bill expands state resources to the organizations that provide essential services to citizens. Mr. Powers stated his support for HB 58.

11:01:36 AM

REPRESENTATIVE WOOL asked for the status of the projects.

MR. POWERS answered that the audits were completed last year and quotes from contractors are being collected. The Fairbanks Resource Agency office building is completed with boilers installed and energy monitoring in place. Using a loan, the agency installed energy efficient boilers and smart pumps to reduce its electrical load. Other recommendations include adding insulation and extending a hot water line to an adjacent property to save energy and cost. Out of the fourteen nonprofits, about seven nonprofits are still in the decision-making process to determine if they can accept the payback

schedule and follow the recommendations of the audit. He said he expected a busy construction season to complete the projects that have financing through the Denali Commission and Rasmuson Foundation. In further response to Representative Wool, he said he did not have sufficient information to support the estimate of 20 percent savings made by a previous speaker because each building and audit are different; also, there is the question of whether nonprofits can afford to make improvements that are paid back from the cash flow of energy savings. The pilot project was tasked to find the point of economy for the retrofit marketplace so as not to overinvest.

[11:06:54 AM](#)

DAVE MESSIER, Rural Energy Coordinator, Tanana Chiefs Conference (TCC), informed the committee TCC is a nonprofit tribal consortium that works with 42 federally recognized tribes in the Interior. He said he is in strong support of the modifications to the Alaska energy efficiency revolving loan fund proposed in HB 58. The electricity rates in the region are high and energy efficiency projects have saved school districts, clinics, tribes, and cities tens of thousands of dollars in energy costs. Expanding access to the program would assure entities have access to funding for retrofitting facilities in rural Alaska, Fairbanks, and across the state. The Tanana Chiefs Conference is a nonprofit that would benefit from the proposed legislation in that it operates more than 200,000 square feet of clinic and office space in Fairbanks, and it supports any legislation that makes energy efficiency funding easier to access for nonprofits. Spending money wisely for energy means money can be used to better serve Alaskans who are in need of help. Mr. Messier added that from his experience in the energy field, he knows that technology change takes time and successful projects will lead to more success.

CO-CHAIR VAZQUEZ stated her concerns about whether there is sufficient staffing to administer the program and if there are safeguards to minimize loan defaults.

[11:11:44 AM](#)

REPRESENTATIVE KREISS-TOMKINS reviewed the committee's suggestions for a new proposed CS: create a structure that guarantees public facilities have first priority access to the revolving loan fund; clarify the line between for-profit tribal enterprises and nonprofit tribal organizations that deliver

services to Alaskans; default safeguards; address the staffing issue.

CO-CHAIR VAZQUEZ closed public testimony on HB 58.

HB 58 was held over.

[11:13:17 AM](#)

The committee took an at ease from 11:13 a.m. to 11:20 a.m.

**HB 78-REGULATORY COMMISSION OF ALASKA**

[11:20:50 AM](#)

CO-CHAIR VAZQUEZ announced that the next order of business would be HOUSE BILL NO. 78, "An Act bearing the short title of the 'Alaska Competitive Energy Act of 2015'; and relating to the Regulatory Commission of Alaska."

[11:21:47 AM](#)

JAMES BERTRAND, Law Partner, Stinson Leonard Street, informed the committee he is also the co-chair of the Energy Division at the law firm of Stinson Leonard Street, and his testimony was on behalf of Chugach Electric Association, Inc. (CEA), an electrical cooperative in Anchorage. He provided brief background information on his experience in electrical energy issues, including the restructuring of transmission systems and the impacts of universal system operators (USOs) and independent system operators (ISOs) on utilities and independent power producers (IPPs). Mr. Bertrand stated he is familiar with the proposed regulations under consideration by the Regulatory Commission of Alaska (RCA) to bring Alaska regulations into compliance with the federal structure, and offered to answer questions in this regard.

[11:24:54 AM](#)

CAROLYN ELEFANT, Owner, Law Office of Carolyn Elefant, speaking on behalf of the Alaska Independent Power Association (AIPPA), informed the committee her firm focuses on energy regulatory issues. She provided a brief background of her experience working at the Federal Energy Regulatory Commission (FERC) in the field of the regulation of transmission and wholesale power sales for utilities that are connected to the interstate grid. Ms. Elefant stated that the Public Utility Regulatory Policies

Act (PURPA) and the emergence of open access transmission have transformed the electric utility industry. In fact, in the Lower 48, a trend is to move to a further modernization of the utility industry which includes power supplied by IPPs and self-generation through net metering. She said she has been involved with regulatory proceedings before RCA related to its implementation of PURPA. Regarding the proposed legislation, Ms. Elefant said the changes she has observed in the electric industry in the Lower 48, resulting from PURPA and open access transmission policies, differ somewhat from Alaska where there is a harsh climate and rural and remote communities; however, Alaskan ratepayers pay some of the highest electricity rates, in spite of Alaska's sources of power such as wind, hydropower, marine hydrokinetic and solar. She opined that marketing the state's alternative power sources would reduce rates, diversify power supply, and foster competition. Furthermore, competitive energy markets would attract financing for new technologies, and competition depends on the availability of access, opportunities for IPPs and non-utility generators, and transparency.

[11:29:38 AM](#)

MS. ELEFANT continued to explain that in the Lower 48, PURPA opened competition by requiring utilities to purchase power from smaller non-utility generators - which are known as qualifying facilities (QFs) - at the same price as power from another utility, or as self-generated power. This price is known as the avoided cost. The two goals of PURPA are: to stimulate competition and to be ratepayer neutral. For example, using avoided cost ensures that ratepayers are not paying any more for power than if the utility generated the power. In addition, PURPA addressed the question of open access to transmission by implementing regulations directing states to develop robust interconnection policies to ensure QFs have access to interconnection. Ms. Elefant stressed that PURPA also fosters private investment, thus projects must be economically feasible, and to this end, a utility is required to provide information on its avoided cost for the perusal of IPPs. In 35 years PURPA has had some opposition; however, after some changes were made in 2005, PURPA continues to apply in areas where there is no competitive market, such as Alaska. In addition, other laws apply in Alaska that provide open access to the grid for IPPs; FERC regulates the nation's transmission grid, and in 1996 issued Order No. 888 which required all utilities to provide open access to their transmission lines on a non-discriminatory basis. Federal Energy Regulatory Commission Order No. 888 was a

landmark order and as a result robust power markets have evolved along with new technologies and economic development.

MS. ELEFANT observed that the proposed legislation would have Alaska enjoy the benefits of competition and the characteristics of access, opportunity, and transparency that have benefitted other jurisdictions. The bill provides: opportunity by ensuring IPPs can sell power into the grid; non-discriminatory access to transmission; transparency on avoided, interconnection, and integration costs. She concluded that the proposed legislation would promote competition and diversity, and lower rates for consumers.

[11:37:25 AM](#)

CO-CHAIR COLVER asked for the differences between Alaska's transmission systems and those of the Lower 48

MS. ELEFANT answered that in the Lower 48, transmission is regulated on the federal level because there is interstate interconnection; however, distribution systems are regulated by the states. In Alaska, the state has full control from transmission to the user. In parts of the Lower 48, there are problems with power congestion, which must be managed in an equitable manner.

REPRESENTATIVE CLAMAN asked for a description of the differences between HB 78 and PURPA.

MS. ELEFANT explained that HB 78, along with regulatory changes, would bring Alaska in alignment with PURPA. The bill does not replace PURPA, but ensures compliance with components of PURPA; for example, HB 78 requires utilities to make their avoided cost available to IPPs and their investors for competitive purposes. Regarding interconnection, PURPA recognizes the importance of non-discriminatory interconnection and integration costs, as does HB 78, although HB 78 goes further regarding integration costs. In addition, HB 78 gives QFs access to transmission, which differs slightly from PURPA.

[11:42:53 AM](#)

REPRESENTATIVE CLAMAN recalled hearing that Alaska may be sued for noncompliance, but PURPA has been in effect for 35 years and there has been no lawsuit against Alaska. Alaska does not have an interstate commerce issue, and is quite a distance from the Lower 48.

MS. ELEFANT clarified that PURPA does apply to states and territories that are not interconnected to the grid such as Alaska, Hawaii, Texas, Puerto Rico, and the Virgin Islands. Alaska is exempt from some of the federal requirements like open access because the source of Order No. 888 is found in the Federal Power Act and it applies to interstate transactions. She remarked:

The fact that Alaska is not regulated under the Federal Power Act, I don't think would enable it to make a case ... for not being subject to PURPA. But that said, certainly a lawsuit or an enforcement action is, is a very extreme step. ... Parties will go to FERC and they will say to FERC, 'Hey, this state isn't complying with PURPA ...' and FERC will issue a ruling ... and then FERC has the option of actually bringing the suit in federal court.

MS. ELEFANT advised that FERC has brought action once under unusual circumstances, and lawsuits happen infrequently.

[11:46:28 AM](#)

REPRESENTATIVE CLAMAN surmised the risk of a lawsuit is unlikely.

MS. ELEFANT said yes.

CO-CHAIR VAZQUEZ asked for an explanation of avoided cost.

MS. ELEFANT said a utility supplies power by self-generation or by buying power from another utility. Under PURPA, if a utility buys power from an IPP QF, the utility is "avoiding" the cost of paying the other utility or of producing power. The purpose is to ensure ratepayer neutrality whether power comes from a QF or is self-generated. In further response to Co-Chair Vazquez, she said transparency means the information on what a utility pays to self-generate power is made public. With this information, a QF can evaluate whether a project is economically feasible.

CO-CHAIR VAZQUEZ asked about integration cost.

MS. ELEFANT said integration costs are the costs incurred when introducing power into the system; for example, an intermittent

power source, such as wind, may require payment to keep a back-up generator on standby service.

CO-CHAIR VAZQUEZ asked how HB 78 adds transparency to integration costs.

[11:53:50 AM](#)

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, sponsor of HB 78, informed the committee a local attorney was available to answer questions on Alaska issues.

REPRESENTATIVE WOOL surmised that PURPA is a set of federal regulations and FERC is the agency that enforces the regulations.

MS. ELEFANT stated that PURPA is a federal law that encourages federal and state cooperation. The Federal Energy Regulatory Commission put in place regulations that set federal parameters for PURPA; for example, FERC has a regulation that reinforces that utilities have to pay avoided cost, but each state is responsible for implementing its own PURPA programs. In fact, if there is a contract between a utility and a QF, the state, but not FERC, would look at the contract. A state can adopt regulations to implement PURPA as long as the regulations are consistent with the parameters set by FERC.

REPRESENTATIVE WOOL expressed his understanding that FERC is a federal regulatory agency, but because Alaska is not connected to the Lower 48, its regulations don't apply.

MS. ELEFANT said there are two main categories that FERC administers. The first is the Federal Power Act, which gives FERC authority over power transactions on the interstate grid, and which does not apply to Alaska and Hawaii. The second category, those regulated by PURPA, do apply to Alaska and Hawaii by direction from Congress.

[11:58:32 AM](#)

REPRESENTATIVE WOOL then asked whether FERC determines whether there is congestion, and no further power is needed for a certain area.

MS. ELEFANT said FERC would not manage the aforementioned issue in Alaska. In the Lower 48, some areas are governed by a regional transmission organization (RTO); on the other hand, in

Idaho, or parts of the country without RTOs, the utilities make these decisions.

[12:01:09 PM](#)

CO-CHAIR VAZQUEZ said public testimony on HB 78 remained open.

HB 78 was held over.

[12:01:54 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 12:01 p.m.