

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

March 3, 2015
10:31 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

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 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
02/26/15	(H)	Heard & Held
02/26/15	(H)	MINUTE(ENE)
03/03/15	(H)	ENE AT 10:15 AM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE TAMMIE WILSON
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Speaking as the sponsor, presented opening remarks and a sectional analysis for HB 78.

TERESA CLEMMER, Attorney

Bessenyey & Van Tuyn

Anchorage, Alaska

POSITION STATEMENT: Speaking on behalf of the Alaska Independent Power Producers Association, testified in support of HB 78 and answered questions.

DAVID GILLESPIE, Chief Executive Officer

Alaska Railbelt Cooperative Transmission & Electric Company

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 78.

JAMES BERTRAND, Partner

Stinson Leonard Street Law Firm

Minneapolis, Minnesota

POSITION STATEMENT: Speaking on behalf of Chugach Electric Association, testified in opposition to HB 78.

ACTION NARRATIVE

[10:31:19 AM](#)

CO-CHAIR LIZ VAZQUEZ called the House Special Committee on Energy meeting to order at 10:31 a.m. Representatives Tilton, Claman, Wool, and Vazquez were present at the call to order. Representatives Talerico and Colver arrived as the meeting was in progress.

HB 78-REGULATORY COMMISSION OF ALASKA

CO-CHAIR VAZQUEZ announced that the only 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."

[10:32:03 AM](#)

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, informed the committee HB 78 is all about Alaska being open for business so that private industry can invest and bring Alaskans more affordable energy. She read from the state energy policy [passed in the 26th Alaska State Legislature] as follows:

Encourage economic development by promoting the development of renewable and alternative energy resources including geothermal, wind, solar, hydroelectric, hydrokinetic, tidal, and biomass energy for the use by all Alaskans.

REPRESENTATIVE WILSON observed that over the last three years the state has invested over \$212 million of public funds into electrical generation in Alaska. She explained that the bill is very confusing because many changes affect the Regulatory Commission of Alaska (RCA). She remarked:

Everybody gets an electric bill ... and the first part of it is ... called the base ... if our kilowatt hour is 20 cents a kilowatt hour, and our base is 10 cents, these are your buildings, the people, everything it takes to generate that electricity whether or not anybody uses any of that. And that is regulated by the RCA, so we're not going to talk about that portion of it. We're going to talk about the other 10 cents that makes that up. And that's what you're hearing about, the avoided cost, the cost for generation, what does it take to be able to make that electricity and also transmit it up the line So on that 10 cents what we'd like to know, in the bill, is exactly: What does it take to make up that portion? Because what you do right now is, we get an average. So, for instance ... in Fairbanks ... they generate it from coal, we have diesel, we also get gas, we use wind, and others, so we'll have a different amount, what it takes to produce that kilowatt per hour from all those different areas. ... That's the area that our independent power producers look at to see whether or not the project they want to bring forward is competitive or not. ... The bill would then make utilities break that down so you could see what the high portion of the energy is and the low, that makes up that 10 cents. ... An independent power producer, and they're going to build a project, and in that project, to generate that one kilowatt hour, it's going to be 4 cents a kilowatt hour, much lower than that 10 cents ... therefore they're competitive, well ... now they have to get it on the lines and know how much it's going to cost to go per line, depending upon whose line that they're crossing, kind of like when you go on a toll road. ... Another part that this bill will do is it will set those rates, so everybody knows

what the rates are and it's equal for everybody else. So let's say that that's 2 cents, now and that's 6 cents versus the 10 cents that I'm already paying. ... I can save 4 cents a kilowatt hour if I were to build my plant. ... Now it's time that I can go to the bank ... I can go look for investors, I can start conversations with a utility. ... One of the things we've heard ... is this is going to cost us more ... We want private investment dollars, we want private companies to come in, invest in Alaskans, so that we can have more affordable energy, and they've already done that ... there are a lot of projects out there, a lot of money invested and this is private monies that are competing ... with the \$213 million of state funding, for other projects. ... We're competing with private business, using state funds as well, in a marketplace, where, the rules, nobody knows what they are ... and that's primarily what this bill does.

[10:37:57 AM](#)

REPRESENTATIVE WILSON continued to the sectional analysis: Section 3 calls upon RCA to apply competitive and nondiscrimination principles with respect to all energy producers including qualifying facilities (QFs), independent power producers (IPPs) and public utilities. Section 4 authorizes and requires RCA to have regulatory decisions consistent with the state energy policy. [Section 4], subsection (f) requires RCA to ensure that transmission assets within the state are open and accessible to QFs, IPPs, and public utilities on a fair and nondiscriminatory basis.

[10:39:04 AM](#)

CO-CHAIR COLVER observed that other legislation could create transmission cooperatives and a unified rate for access to transmission infrastructure. In that case, if the state has a framework for a tariff for any entity on the grid, he surmised subsection (f) would not be necessary.

REPRESENTATIVE WILSON said absolutely correct; there are issues that can be taken out of the bill.

[10:40:13 AM](#)

The committee took an at ease from 10:40 a.m. to 10:47 a.m.

10:47:13 AM

REPRESENTATIVE WILSON continued to section 5 which strengthens the language so that RCA has authority and duty to adopt regulations in order to carry out its responsibilities. Section 6 streamlines rulemaking proceedings. Section 7 provides transparency for market costs, and encourages competitive independent power production to meet and beat established generation costs to reduce the cost of power for Alaskans. Section 8 helps improve compliance with U.S. laws relating to QFs and competitive power, to lower electrical costs for end users. Section 9 differentiates end user from wholesale, industrial, or bulk buyers of electricity. Section 10 expands RCA authority such that upon a disagreement between a public utility and another requesting party on terms and reasonable compensation, RCA may require a public utility to comply with terms and reasonable compensation for temporary use. Section 11 eliminates barriers for QFs and IPPs in obtaining access to transmission facilities. [Section 11] subsection (d) requires public utilities and other transmission service providers to proceed with interconnection in a timely manner; subsection (e) specifies who shall bear the cost of an interconnection study; subsection (f) requires public utilities to provide open access to transmission assets on a fair and nondiscriminatory basis; subsection (g) confirms the ability of utilities and other transmission service providers to impose interconnection and integration charges; subsection (h) requires any system benefits from interconnection to be credited to the party seeking connection and used to offset any fees charged by the public utility or other transmission service provider; subsection (i) provides that when requested by RCA or a party seeking connection, the public utility or other transmission service provider must disclose the basis for its proposed interconnection and integration charges, and must demonstrate that such charges are fair, reasonable, nondiscriminatory and otherwise in compliance with this chapter. Section 12 directs RCA to take action to ensure QFs and IPPs shall obtain access to transmission facilities. Section 13 requires that fees charged by transmission asset owners for interconnection constitute reasonable compensation. Section 14 limits the types of costs that public utilities can pass on to [rate]payers. Section 15 authorizes and requires RCA to review new or revised tariffs for consistency with the state energy policy. Section 16 adds that any agreement under this paragraph is not exempt from the open access and anti-discriminatory sections. Section 17 requires RCA to allow utilities to pass on to [rate]payers certain validated costs. Section 18 expands RCA oversight and

investigatory authority. Section 20 eliminates conditions related to power being generated entirely from renewable resources and a plant or facility not having been funded with state grants or tax credits. Section 22 exempts from regulation under this chapter all QFs smaller than 80 megawatts. Section 23 defines public utilities and section 24 is a list of definitions.

[10:51:50 AM](#)

CO-CHAIR COLVER returned attention to section 22 and asked for a comparison on how regulations would be applied to QFs over 80 megawatts.

CO-CHAIR VAZQUEZ said questions would be answered at the end of Representative Wilson's testimony.

REPRESENTATIVE WILSON directed attention to a written response to a question from the previous hearing and letters of support found in the committee packet. She concluded that the bill is really about using private dollars to bring lower energy costs. She acknowledged that the state needed a monopoly at one time, but the state has grown, and now needs to stop competing with private industry and give private industry access.

[10:55:03 AM](#)

TERESA CLEMMER, Attorney, Besseney & Van Tuyn, informed the committee she has been working with independent power producers in the development of HB 78, and has also been involved in rulemaking under consideration by RCA. She offered to provide a brief overview on what the bill does and how it relates to the rulemaking process. Ms. Clemmer said the first goal of HB 78 is to ensure that fair nondiscriminatory access is available to Alaska's transmission infrastructure. The second goal is to strengthen RCA's oversight authority related to utilities. The third goal is to reduce regulatory burdens on small IPPs. The fourth goal is to implement Alaska's energy policy, and the fifth goal is to provide guidance to RCA related to its oversight of power purchase agreements (PPAs) between utilities and small renewable energy producers. She stressed that the fifth goal is where HB 78 most directly relates to the regulatory process and RCA; the first four goals are related to transmission. Directing attention to the first goal, she said that most transmission facilities in Alaska were state funded or subsidized, and future upgrades will be state subsidized as well, thus they are public infrastructure facilities, similar to

highways, to which everyone should have access. But small IPPs must negotiate multiple transmission agreements with a series of utilities along a transmission route, leading to excessive and duplicative wheeling fees and other charges.

[10:58:41 AM](#)

CO-CHAIR VAZQUEZ asked for an explanation of wheeling fees.

MS. CLEMMER responded that wheeling fees are similar to a toll on a highway; a utility imposes a charge for an entity to transmit its power on the utility's transmission line. In Alaska, because the system is fragmented, many utilities are imposing "toll, upon toll, upon toll," which is known as pancaking. In fact, HB 78 is designed to ensure that transmission facilities are accessible to everyone, including utilities and IPPs, in order to support competition in the power industry; this can be seen in section 4, subsection (f) and in section 11, subsection (f). She pointed out that fair and nondiscriminatory access does not mean that utilities will be burdened with extra cost; HB 78 provides that transmission owners are entitled to "reasonable compensation" for the shared use of transmission facilities. Further, reasonable compensation is defined as including the cost of maintenance, and a return of private equity of the owning public utility, or joint action agency, as further clarified in section 13, subsection (c) and in section 24, [paragraph] 20. Section 10, subsection (a) also confirms that the parties seeking access will bear the cost of modifications or additions necessary to accommodate the joint use of the transmission facilities. Ms. Clemmer noted that HB 78 anticipates the integration of the transmission system by providing that joint action agencies are to be treated in the same manner as other regulated utilities; joint action agencies have previously been exempt from many regulations, and this change will require joint action agencies to be regulated, as indicated in section 2(a), section 20(1), section 23(6), section 24(18), section 25, and section 26, and section 11(d) requires entities to proceed with interconnection in a timely manner. She returned to HB 78's second goal, which is to strengthen RCA's oversight ability by authorizing RCA to intervene when utilities and small power generators cannot reach agreement on terms for access to transmission. Section 10(a) and section 13(d) provide short-term action, and section 12(a) and section 13(e) provide long-term action. The third goal, to reduce regulatory burdens on small IPPs, relates to Representative Colver's earlier question. One facet of the bill allows an exemption from attaining a Certificate of Public

Convenience and Necessity, to not being subject to rate regulations, or a tariff; she advised the foregoing requirements are not appropriate to wholesale power providers. The first category of exemption is for all QFs which are defined under federal law as renewable power producers under 80 megawatts, and which are exempted under section 22(u). Another aspect of the bill exempts IPPs that do not qualify as QFs under federal law but that meet criteria in the bill in section 21(r). The fourth goal, implementing Alaska's state energy policy, gives RCA tools to ensure that Alaska makes progress to the goals of its energy policy; for example, HB 78, section 4(e) and section 5(a) require RCA regulations to be consistent with the energy policy, and in section 15(d), requires utilities' tariffs to be consistent with the state energy policy. The fifth goal, providing guidance to RCA related to oversight of PPAs between utilities and IPPs, is in the beginning process. On 2/25/15, RCA opened a public comment period on a "draft rule;" however, public notice has not been issued, thus it is appropriate for the legislature to encourage RCA to move forward during its decision-making process; in fact, there are provisions in HB 78 that provide guidance on the draft rule, one is on avoided cost. Avoided cost is a term that is used throughout the country and is well understood: avoided cost operates as a ceiling to ensure that PPAs are cost neutral to utilities and ratepayers. In practice, there is usually a cost savings for utilities and ratepayers under PPAs. She opined that cost neutral or cost savings are good for Alaska. Section 16 (c)(3) of HB 78 clarifies that RCA has the authority to approve a PPA at, or below, a utilities' avoided cost. In addition, section 24 [paragraph] 15 defines the term avoided cost to mean incremental avoided cost, which brings Alaska in line with its standard meaning in the U.S. Also related to rulemaking, HB 78 ensures fair and nondiscriminatory charges are the only aspects of a PPA imposed by a utility.

[11:08:40 AM](#)

CO-CHAIR COLVER pointed out that the section 22, subsection [(u)] exemption for IPPs was for renewable energy only, and does not apply to coal, gas, or co-generation.

MS. CLEMMER explained that in section 22, subsection u, QF refers to renewable energy projects; section 21 creates an exemption for other small IPPs that do not qualify as a QF.

CO-CHAIR COLVER asked for further comment on where the proposed law would apply.

MS. CLEMMER said in section 21 (r) of the bill, the criteria for getting an exemption for an IPP other than a QF, requires beginning operation between 2010 and 2025, that the IPP is smaller than 80 megawatts, and that the IPP sells all of its power to a regulated public utility or, if the purchaser is located in an area outside the public utility's service area, there is no need for regulatory protection for the public. Also, there is an exemption for a plant or facility that sells more than half of its power to purchasers outside of Alaska.

REPRESENTATIVE WOOL recalled testimony from various sources supports a system dispatched by an independent entity with a single rate to move electricity. He asked if Ms. Clemmer agreed.

MS. CLEMMER agreed that is generally true. She added that HB 78 would not prevent or establish a [transmission company (TRANSCO)]; in the case of multiple utilities or a TRANSCO, the bill directs that access has to be provided on a fair and nondiscriminatory basis, and charges must be reasonable. The provision lays the groundwork for a TRANSCO and, in the meantime, would provide protection to small entities that are trying to access the grid.

[11:14:51 AM](#)

REPRESENTATIVE WOOL surmised cost neutral would apply to all parties.

MS. CLEMMER said yes. The avoided cost term means that the cost to the utility is the same, in the worst case, and most likely would be less. In further response to Representative Wool, she said avoided cost includes the price for the power, the fees for interconnection and integration, and system benefits as determined by a formula.

REPRESENTATIVE CLAMAN asked whether there is a difference between the rulemaking in HB 78 and the rulemaking process underway by RCA; further, whether RCA has the authority to adopt everything in the bill through its rulemaking process.

MS. CLEMMER responded that the bill has a broader scope than RCA's process; in the realm of PPAs between utilities and IPPs, there is overlap, but HB 78 does more, such as requiring nondiscriminatory access to transmission.

REPRESENTATIVE CLAMAN surmised that RCA rulemaking does not address the pancaking of transmission rates.

MS. CLEMMER said right; the rulemaking establishes specifics for PPAs between utilities and wholesale providers, but is not a transmission-oriented negotiation. In further response to Representative Claman, she said HB 78 is the first step to a single transmission entity by creating a nondiscrimination requirement and a requirement for reasonable fees for IPPs; however, in order to create a TRANSCO separate legislation would be required.

[11:19:31 AM](#)

REPRESENTATIVE CLAMAN concluded that IPPs are willing to pay a set postage stamp rate.

MS. CLEMMER cautioned that the bill does not specify whether there could be a series of charges, but just that the charge or charges are fair and nondiscriminatory.

CO-CHAIR VAZQUEZ asked how HB 78 addresses the treatment of avoided costs.

MS. CLEMMER explained that the bill inserts the word incremental into the definition of avoided cost, which makes a big difference in the way utilities and IPPs negotiate. Utilities generally have a portfolio of different power sources. Current regulations say that IPPs must compete with the average cost of all of a utility's power sources, even if the projects were built years ago with state subsidies, and even if the source is not the first power that would be displaced. For example, [Golden Valley Electric Association (GVEA)] usually burns diesel during peak periods in winter at a high cost, and if an IPP offered power at a lower cost, GVEA would be obligated to buy power from the IPP. Currently, however, the IPP would have to compete with the average rate and not the cost of the power source it would have displaced. She provided the additional example of Fire Island Wind Phase 2.

REPRESENTATIVE WOOL advised that GVEA does not want to burn diesel at a high price, or pay the same price as diesel for wind. Furthermore, GVEA cannot rely on wind during periods of high demand so spinning reserves must be maintained. He asked whether the cost of spinning reserves is included in avoided incremental cost.

11:24:46 AM

MS. CLEMMER observed that diesel can cost up to \$1 per kilowatt hour compared to wind power that can cost as low as \$0.12 per kilowatt hour. In further response, she assured Representative Wool that the IPP would not negotiate for the diesel price but would offer a flat rate of about \$0.12; however, GVEA compares the offered rate to its average rate which incorporates all of its cheapest sources of power, and is not the actual cost for displacement of diesel. She opined that IPPs have been offering reasonable rates that would save consumers money, but the utilities "are very reluctant to agree" In addition, spinning reserve in many instances is a modest cost; in fact, utilities provide spinning reserve for their own power sources and for each other. She said, "There's a lot of spinning reserve already built into the system"

CO-CHAIR VAZQUEZ asked how HB 78 affects integration and integration fees.

MS. CLEMMER said spinning reserve is the primary component of integration costs for renewable sources such as wind. In further response, she said HB 78 defines the terms and requires IPPs to be responsible to pay for integration costs that can be attributed to the IPP facility. Section 24, [paragraph] 21 of the bill defines reasonable integration charges and establishes criteria.

CO-CHAIR VAZQUEZ asked for clarification between integration and interconnection.

MS. CLEMMER stated that integration refers to spinning reserve; interconnection refers to the hardware needed to get an IPP connected to the power system, such as transmission lines and transformers. Interconnection costs are tangible and without disagreement. In further response to Co-Chair Vazquez, she said interconnection is not addressed in HB 78.

11:31:45 AM

DAVID GILLESPIE, Chief Executive Officer, Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC), returned attention to the subject of avoided cost. Mr. Gillespie pointed out that avoided cost, incremental or otherwise, varies minute-to-minute, day-to-day, and year-to-year; a utility's avoided cost on the coldest day differs from that of another time. Therefore, a unit of last resort could set the avoided cost for

a certain time, but during other times it is less. Also, he urged that the committee recognize that avoided cost for an IPP typically is estimated for 20 years because that often is the term of a contract. Utilities are required to make an estimate into the future, therefore, utility customers assume significant risk when signing a contract based on current avoided cost. Mr. Gillespie informed the committee that ARCTEC was formed by the following four Railbelt utilities to address industry issues of mutual concern: GVEA, Chugach Electric Association (CEA), Matanuska Electric Association (MEA), and the City of Seward. Each member exists to provide low-cost, reliable, and sustainable electric service to customers and residents. He provided a brief background of his personal experience. Mr. Gillespie spoke in opposition to HB 78, even though ARCTEC supports the principles of competition and open access. However, in the best interest to create a regulatory environment that is fair, HB 78 is not the appropriate vehicle to achieve the goals of low-cost, reliable, sustainable energy and economic development opportunities. He said there are four topics to consider. First, detailed implementation outlined in the bill should be left to RCA. Because electrical regulation is complex, legislation should focus on a purpose and leave details to regulators, as is currently underway in RCA open dockets. Second, the bill contains ambiguities and potential unintended consequences; for example, section 9 proposes to replace "customer" with "end user" and to exclude industrial use and bulk buyers of electricity. This would create a new distinction between industrial customers and other classes. Section 14 proposes changes that may prevent a utility from recovering costs due to a dispute between utilities and a QF or an IPP, regardless of circumstances. Third, most of the bill's provisions are already covered by federal law or in RCA's recently proposed rules. At best, the bill is redundant, and at worst, it is in conflict with existing statute or regulations. Although it has been said HB 78 intends to "harmonize" state law with the Public Utilities Regulatory Policies Act of 1978 (PURPA), PURPA applies in Alaska as elsewhere in the U.S., thus Alaska should live by existing law. Furthermore, HB 78 may ultimately conflict with the guidance that will be issued by RCA. Finally, ARCTEC's stance is that HB 78 does not address the real problem in the Railbelt, which is the lack of infrastructure and a regulatory framework for economic dispatch. Mr. Gillespie urged the legislature to focus on enabling law that sends a clear direction to RCA to implement a stakeholder governed, independent or unified system operator model that is based on guiding principles. The aforementioned USO would provide regulatory stability needed to create opportunity for

IPPs, allow the state to attract capital, enable economic activity, and allow the utilities to provide energy to residents, members, and [rate] payers.

[11:39:14 AM](#)

CO-CHAIR COLVER asked why ARCTEC has an interest in IPPs that may be off-grid or in closed grids, if ARCTEC is supportive of free and open competition on the distribution system.

MR. GILLESPIE affirmed that ARCTEC's focus is on the Railbelt specifically.

[11:41:44 AM](#)

The committee took an at ease from 11:41 a.m. to 11:44 a.m.

[11:44:20 AM](#)

JAMES BERTRAND, Partner, Stinson Leonard Street Law Firm, disclosed his testimony is on behalf of Chugach Electric Association (CEA). Mr. Bertrand referred to his letter, found in the committee packet, in response to questions raised at the previous hearing on 2/26/15. The first question asked how Alaska is different from other states when considering PURPA. He said his comments are limited to the Railbelt utilities, and pointed out that they are all public power utilities. In other states with similar systems that are dominated by public power, they also have a low percentage of IPP generation both in capacity and in megawatt hours produced. Using the criteria of percentages of IPP generation, Alaska was 45 of 50 in 2012. This ranking shows that states have a low percentage of IPP capacity because of their high public power dominance of their electric system, such as the Tennessee Valley Power Authority. In a similar manner, the percentage of IPP megawatt hours ranks Alaska 44 out of 50. Another difference relates to the RCA's recently opened docket in response to the legislative directive found in Chapter 18 SLA 14, section 31(b) directing RCA to evaluate whether creating an independent system operator in the Railbelt is the best option for electric transmission. The commission is seeking input from Railbelt utilities, the Alaska Attorney General, the Alaska Power Association, the Alaska Energy Authority, Department of Commerce, Community & Economic Development, IPPs, and other parties. On 2/26/15, testimony before the committee was that independent system operators in the Lower 48 garner a high percentage of IPP involvement, and he

opined the RCA docket is likely to support a system of a single system operator, which is also supported by CEA.

[11:50:29 AM](#)

MR. BERTRAND said the next question was how PURPA applies in Alaska. He restated that PURPA does apply in Alaska and there are efforts by RCA to harmonize some of Alaska's regulation to reflect updates; significantly, the changes would require the same level of transparency and reporting obligations as the Federal Energy Regulatory Commission (FERC) for about 20 Alaska utilities on the issue of avoided cost. Changes would also address interconnection cost and integration fees in a reasonable, nondiscriminatory way, and update the definition of avoided cost to include incremental cost as FERC does. Mr. Bertrand pointed out it is clear that federal law would preempt any statute or policy "going beyond" PURPA. The third question was whether HB 78 would increase the potential for lawsuits. He responded that lawsuits are available under PURPA and there is no need to create additional opportunities; in fact, complaints can be filed with FERC or RCA. Mr. Bertrand directed attention to several attachments to his letter, also found in the committee packet. The final question was whether HB 78 addresses transparency for avoided cost, interconnection fees, and integration costs, and he noted that regulations proposed by RCA staff considered these matters. A copy of the proposed regulations are included the committee packet.

[11:53:52 AM](#)

REPRESENTATIVE CLAMAN asked what electric rates are to consumers in Tennessee, which has the lowest percentage of IPP generation.

MR. BERTRAND expressed his understanding that rates in Tennessee are fairly low because of the infrastructure and cost advantages associated with public power; public power generally has a lower cost of borrowing, and has access to other government-related costs which may not be passed to ratepayers. Public power is cheaper than investor-owned power, thus IPPs have a "better chance" in communities served by investor-owned utilities.

REPRESENTATIVE WOOL summarized previous testimony that RCA is working on many of the aforementioned issues, and there were recommendations that the legislature should instead act to create a USO. He asked whether Mr. Bertrand agreed.

MR. BERTRAND agreed with the first statement. However, he questioned whether the legislature needs to do more; in fact, the RCA docket will allow interested parties to comment on whether there is sufficient current legislative framework. In some states, the creation of a USO has occurred through cooperation among utilities, thus there is the possibility that special legislation is unnecessary, as long as RCA has regulatory authority over the USO, and all of the utilities agreed.

[11:57:51 AM](#)

REPRESENTATIVE WOOL concluded that all of the utilities would have to agree, not four or five out of six.

MR. BERTRAND said that would be the typical scenario.

CO-CHAIR VAZQUEZ advised RCA opened the related docket on 2/27/15. Public testimony on HB 78 remained open.

[11:59:15 AM](#)

HB 78 was held over.

[11:59:32 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:59 a.m.