

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

March 31, 2015  
10:21 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

PRESENTATION: THE AMERICAN TRANSMISSION COMPANY

- HEARD

**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
03/03/15	(H)	Heard & Held

03/03/15 (H) MINUTE(ENE)  
03/05/15 (H) ENE AT 10:15 AM CAPITOL 106  
03/05/15 (H) Heard & Held  
03/05/15 (H) MINUTE(ENE)  
03/31/15 (H) ENE AT 10:15 AM CAPITOL 17

#### **WITNESS REGISTER**

REPRESENTATIVE TAMMIE WILSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking as the sponsor, provided a sectional analysis of the proposed committee substitute for HB 78, and answered questions.

ERIC MYERS, Manager - Business Development  
American Transmission Company  
Waukesha, Wisconsin

**POSITION STATEMENT:** Provided a PowerPoint presentation entitled "Forming a Railbelt Transmission Company," and dated 3/31/15.

#### **ACTION NARRATIVE**

[10:21:17 AM](#)

**CO-CHAIR JIM COLVER** called the House Special Committee on Energy meeting to order at 10:21 a.m. Representatives Talerico, Tilton, Vazquez, and Colver were present at the call to order. Representatives Claman and Wool arrived as the meeting was in progress.

#### **HB 78-REGULATORY COMMISSION OF ALASKA**

[10:21:54 AM](#)

CO-CHAIR COLVER announced that the first 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."

[10:22:09 AM](#)

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, sponsor, informed the committee the proposed committee substitute (CS) for HB 78 was a much leaner bill, and comments on the CS have been solicited from affected parties. The first part of the CS allows independent power producers (IPPs) to know what the costs

are to generate electricity, and to request from the Regulatory Commission of Alaska (RCA) how those costs were calculated by the utility. The second part relates to transmission and the costs to transmit power through transmission lines. Representative Wilson reminded the committee of the situation regarding [Fire Island Wind Phase 2], which was discussed at a previous hearing, and that IPPs need to know these costs before financing can be obtained. Further, if a utility refuses to provide this information, as a last resort, RCA would adjudicate. She expressed her hope that during the hearing process there will be positive progress regarding discussions between utilities and IPPs.

CO-CHAIR COLVER requested a sectional analysis.

REPRESENTATIVE WILSON began a sectional analysis: section 2 creates a new section to implement requirements applicable to electric utilities with respect to qualifying facilities (QFs), small renewable energy, and cogeneration facilities as required under federal statutes and regulations. Subsection (a) requires electric utilities to comply with Federal Energy Regulatory Commission (FERC) rules related to purchasing power from QFs and other related obligations. Subsection (b) exempts QFs from certain state laws and regulations as required under federal law. Subsection (c) authorizes RCA to issue orders requiring electric utilities to comply with obligations under this section. Subsection (d) limits the applicability of this section to electric utilities that are subject to the RCA ratemaking authority - this language was drawn directly from the federal statute. Subsection (e)(1) defines avoided cost according to federal law. Subsection (e)(2) defines qualifying facility by referring to definitions specified in federal law. Representative Wilson pointed out that the aforementioned reduces the number of costly requirements of the utilities, and thus is "a much friendlier version to the utilities." Section 3, new subsections (d)-(f), assure open access to electric transmission facilities as provided on a fair, reasonable, and nondiscriminatory basis. Subsection (d) requires electric utilities to establish joint use interconnection and transmission service within a reasonable time and for reasonable compensation. Subsection (e) confirms the electric utility may recover from connecting entities costs incurred in providing for joint use, interconnection, and transmission service, while at the same time ensuring that the charges imposed are fair, reasonable, and nondiscriminatory. Subsection (f)(1) defines reasonable compensation, subsection (f)(2)-(3) define the terms transmission and distribution. She advised this change "puts

the studies on the backs of the IPP, versus the utility." Lastly, section 4 amends AS 42.05.321 to improve consistency and to make clear that RCA oversight authority encompasses joint use, interconnection, and transmission service. Representative Wilson noted that the sponsors worked closely with RCA to align the bill with federal law, and to make it possible for Alaska to produce its own electricity at low cost and with less dependence on oil.

[10:29:50 AM](#)

CO-CHAIR COLVER asked whether the legislation uses the Public Utility Regulatory Policies Act (PURPA) as a model for implementing joint use and provisions for buying power from IPPs.

REPRESENTATIVE WILSON said correct. In further response to Co-Chair Colver, she explained the avoided cost issue was addressed by requiring that the current averages provided by utilities are broken down into the cost of each source of energy; for example, Golden Valley Electric Association (GVEA) generates power in many ways, and an IPP needs to know the cost of each source in order to compete. Secondly, IPPs need to know the cost of transmitting power, so they can add that cost to their total cost, and enter negotiations with a utility.

CO-CHAIR VAZQUEZ referred to RCA Dockets I-15-001 and R-13-002, and asked how they would affect the proposed legislation.

REPRESENTATIVE WILSON responded that pending RCA rulings may resolve the transmission issue in the bill.

CO-CHAIR VAZQUEZ said RCA has been charged with completing a related study due 6/15.

REPRESENTATIVE WILSON said yes.

CO-CHAIR COLVER surmised the bill is not just an access to transmission issue in regards to a transmission cooperative (Transco) or an independent system operator (ISO), but also a framework for RCA to provide oversight for joint use of transmission facilities and power purchase agreements in areas that are not on the Railbelt grid, or that are not overseen by an ISO or a transmission cooperative.

REPRESENTATIVE WILSON agreed, and added that the bill would also allow power to be sold in Canada should there be excess after first serving Alaskans.

CO-CHAIR VAZQUEZ asked whether the Alaska Independent Power Producers Association (AIPPA) is submitting comments on the related active RCA dockets.

[10:35:14 AM](#)

REPRESENTATIVE WILSON said yes.

CO-CHAIR VAZQUEZ observed that the Alaska Power Association is reviewing the CS.

CO-CHAIR COLVER inquired as to how the approach in the CS differs from RCA Docket I-15-001.

REPRESENTATIVE WILSON acknowledged the approach is similar, but until the RCA docket is adopted, the sponsors' intent remains to ensure that there are opportunities for IPPs to invest in Alaska.

CO-CHAIR VAZQUEZ appreciated the work accomplished by the sponsors, RCA, and IPPs. She stated there is value in waiting for RCA to finish its work, as there are many changes to come for the Railbelt transmission system.

REPRESENTATIVE WILSON reminded the committee that the bill will be vetted in the House Labor and Commerce Standing Committee for RCA issues, and then in the House Finance Committee.

[10:38:43 AM](#)

REPRESENTATIVE TALERICO moved to adopt the proposed committee substitute for HB 78, labeled 29-LS0259\N, Nauman, 3/18/15, as the working draft.

[10:39:09 AM](#)

CO-CHAIR COLVER objected for the purposes of discussion.

REPRESENTATIVE TALERICO urged the committee to adopt the proposed CS.

[10:39:36 AM](#)

CO-CHAIR COLVER removed his objection. There being no further objection, Version N was before the committee.

HB 78 was held over.

[CO-CHAIR COLVER passed the gavel to Co-Chair Vazquez.]

**PRESENTATION: AMERICAN TRANSMISSION COMPANY**

10:40:20 AM

CO-CHAIR VAZQUEZ announced that the final order of business would be a presentation by the American Transmission Company.

10:40:41 AM

ERIC MYERS, Manager Business Development, American Transmission Company, recalled that the committee has heard extensive testimony on the changes that are needed to the Railbelt transmission system, and he offered a business model for organizing the utilities in the Railbelt to make operational decisions and future investments in transmission. The American Transmission Company (ATC) is the first multi-state stand-alone transmission utility in the U.S., and its customer/owners include 28 investor-owned utilities, municipal utilities, and cooperatives. The company grew from \$550 million in assets in 2001, to \$3.3 billion today held in 9,500 miles of transmission lines and more than 500 substations (slide 2). The company does not own generation, and serves the companies that serve the end-customers (slide 3). Mr. Myers provided a short history of ATC, noting that at its inception, the price of electricity in Wisconsin was higher than that of neighboring states, and the cost within the state varied regionally in a manner similar to the situation in the Railbelt. He said transmission can be part of the solution to leveling prices. Since 2005, ATC's customers have seen a reduction in the regional price differential (slide 4). Integrating transmission under a single operating company (a Transco) allows the operating company to maintain and improve reliability, facilitate economic dispatch, interconnect new generators on an open system, and to respond to new public policies. Further, a Transco allows the transmission planning process to evaluate and communicate the benefits of new infrastructure and to operate and maintain a reliable integrated transmission network (slide 5). In Alaska, ATC has learned from stakeholders how the Railbelt network works, and of its history of collaboration and conflict that arose as utilities built

transmission to meet their local needs. Also, as transmission assets are used, the impact on the utility that built the line can change, further creating conflict. A Transco provides substantial opportunities for improvements to reliability and economic dispatch.

[10:45:53 AM](#)

MR. MYERS said a successful solution would combine an integrated operation of existing assets, access to capital, a tariff for network transmission service, and effective governance (slide 6). To date, ATC has worked with Railbelt utilities to adopt a common set of guiding principles, has established a working group to refine financial analysis and benefits, has communicated with other Railbelt stakeholders and interested parties, and is building understanding and trust (slide 7). In ATC's experience, a singular focus on transmission allows a Transco to: plan effectively; build the network; operate efficiently; respond to changing conditions; serve its customers (slide 8). At the request of Co-Chair Vazquez, Mr. Myers presented a Venn diagram that illustrated each party and its tasks [document not provided in the committee packet]: The Transco is responsible for owning, operating, planning, and constructing the existing and future transmission assets. In addition, the Transco is regulated by RCA and charges a tariff. The unified system operator (USO), or independent system operator (ISO), is responsible for establishing and maintaining reliability standards and interconnection and planning standards; therefore, the Transco follows the rules set by the ISO or USO, ensuring recovery under its tariff. He remarked:

It's an RCA tariff that references the standards set by the ISO or USO, and the Transco is the executor, the Transco is the business that does the work.

CO-CHAIR VAZQUEZ pointed out RCA affects the Transco and the ISO, and is a major stakeholder. She asked what composes an ISO.

MR. MYERS explained the scope of an ISO or USO is part of the active informational RCA docket; in fact, a series of workshops will be held by RCA to set standards. At a minimum, from the standpoint of a transmission-only utility, it is important that the standards of reliability and economic dispatch are set separately from the operating company, and provide an opportunity for comment by stakeholders. Once the transmission company starts building a line, the question of whether or not

the project benefits stakeholders needs to have already been answered.

CO-CHAIR COLVER asked whether there was model legislation of regulatory framework in the Lower 48 to adopt.

MR. MYERS expressed his belief that RCA's informational docket will define any deficiencies in its existing regulatory scope that would prevent the foregoing business model from receiving a Certificate of Public Convenience and Necessity (CPCN) in Alaska. Without any deficiency in RCA's existing regulatory authority, no further legislation is needed.

CO-CHAIR COLVER inquired as to how competing entities would be vetted.

MR. MYERS stated the CPCN process allows for the evaluation of competing models through the regulatory process and a selection by RCA. He pointed out that any alternative with the support of the Railbelt utilities would have an advantage.

CO-CHAIR VAZQUEZ asked how an ISO and USO differ.

MR. MYERS said a USO - a uniform system operator - is another statement of the same idea. In further response to Co-Chair Vazquez, he said the purpose of an ISO or USO is to ensure that stakeholders understand the principles applied by the Transco when it develops new transmission infrastructure. A Transco must balance the needs of all of the users of the network thus it is important to have rules set and maintained by a separate organization.

[10:56:03 AM](#)

CO-CHAIR VAZQUEZ surmised the system provides "cover" to the Transco.

MR. MYERS said the ISO becomes the aggregator of a community's interest; in further response to Co-Chair Vazquez, he said ATC formed a Transco in Wisconsin and neighboring states through asset contributions, and the participating companies became the owner/customers of the Transco, in a manner similar to cooperatives. The board consists of a mixture representing owner and independent interests.

REPRESENTATIVE CLAMAN questioned how to populate the board of directors of an ISO or a USO in terms of the number of seats

held by utility interests, versus seats of nonutility members, such as consumers. He asked if this is the major distinction between an ISO and a USO.

MR. MYERS answered that the constitution of the ISO or USO board being proposed for Alaska is intended to be a stakeholder-driven board. The interests of an ISO or USO are the effective use of transmission and generation assets in the Railbelt. It is most important that the board of directors of the Transco have the ability to pursue transmission independent of decisions made about distribution or generation assets. As such, ATC composed its board of directors of a mix of owners and independent members.

REPRESENTATIVE CLAMAN remarked:

So the question is: On that board, who has, does the, do those that contribute assets have the majority or are they a minority in the total numbers on the board? That to me is kind of the operative question. ... Who has the majority in the board and that was my question for your company.

MR. MYERS responded that in ATC's business model, as an operating company, the Transco's board majority is asset-owners. As for the shares they vote, currently the owners of ATC vote: one company, one vote. There are also balancing numbers of independent directors on the board. He opined the governing body for the ISO or USO is being fleshed out, and is intended to be stakeholder-driven.

[11:02:00 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:02 a.m.