

HOUSE FINANCE COMMITTEE  
April 25, 2024  
10:08 a.m.

10:08:08 AM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 10:08 a.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair  
Representative Neal Foster, Co-Chair  
Representative DeLena Johnson, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Arthur Miller, CEO, Chugach Electric; Brad Janorschke, General Manager, Homer Electric Association, Julie Estey, Chief Strategy Officer, Matanuska Electric Association.

SUMMARY

HB 307 INTEGRATED TRANSMISSION SYSTEMS

HB 307 was HEARD and HELD in committee for further consideration.

HB 154 AK HOUSING FINANCE CORP: SUSTAIN ENERGY

HB 154 was SCHEDULED but not HEARD.

Co-Chair Foster reviewed the meeting agenda.

#hb307

HOUSE BILL NO. 307

"An Act relating to the taxation of independent power producers; and increasing the efficiency of integrated transmission system charges and use for the benefit of ratepayers."

10:10:41 AM

ARTHUR MILLER, CEO, CHUGACH ELECTRIC, noted that there was independence between the GRIP funding opportunity and the transmission legislation. The transmission lines were critical under GRIP but no other legislation was necessary. He introduced himself and the PowerPoint presentation "House Bill 307" dated April 25, 2024 (copy on file).

Mr. Miller began on slide 2 and explained wheeling. He asked how the costs were recovered. The costs were mostly recovered through what happened when power was transmitted through different regions and pay for each segment of the transmission line. He remarked on the importance of no additional cost, as there was a reallocation of the costs among the different utilities. He stated that theoretically, 113 rates would serve customers. He noted the reliance on tariffs with a well-established precedent.

10:15:24 AM

Mr. Miller continued that the other factor he wanted to mention on slide 2 was that when they received wheeling revenue, the customers were paying for the use of the transmission system.

Mr. Miller continued on slide 3, and stated that wheeling was not a profit center. He remarked that revenue was approximately \$30 million, and all transmission costs would be recovered by retail members powered through the transmission system. He noted that the bar remained flat at \$30 million, but the additional revenue was a credit to the customers.

Representative Stapp remarked that the Bradley Lake power that was purchased by the utility in Fairbanks, first went through the Chugach infrastructure.

Mr. Miller agreed.

Representative Stapp surmised that there was a toll on the transmission line, and the money from that toll was returned to the Chugach rate payers.

Mr. Miller agreed. He explained that he did not look at it as a toll but as use payment for use of the transmission system. He explained that the Chugach customers paid more for the use of that power than Golden Valley, because of an agreement in the 1980s called the public service agreement. He remarked that Chugach gave a 10 percent discount on the wielding of Bradley Lake power. He stated that the difference was made up by the Chugach retail members.

[10:20:19 AM](#)

Mr. Miller continued on slide 4. He stated that HB 307 represented quality work. He stated that Chugach thought that more work needed to be done. He stated that in Section 42.05.915, it was shown what was included and not included in a tariff. He stated that a tariff was not economically driven, but reliability of the transmission system was what was critical. He stated that it was important to identify the importance of ancillary services, which were primarily generation resources that supported the wheeling of power throughout a system.

[10:25:56 AM](#)

Representative Josephson wondered whether SB 207 would satisfy the concerns outlined in slide 4.

Mr. Miller responded in the negative, but he did not think the work was complete.

Representative Coulombe relayed that her biggest concern was the cost the last time the bill was presented. She asked about slide 3 which seemed to confirm her suspicions. She wondered whether the income from the other utilities would reduce the cost for Chugach Electric customers.

Mr. Miller responded in the affirmative.

Representative Coulombe Asked about the origin of the 10 percent discount.

Mr. Miller replied that there was an agreement in the late 1980s, which was a time of evaluation of the project. He stressed that the intent was to deliver the utilities to those who needed it.

[10:30:15 AM](#)

Representative Coulombe wanted to understand what the bill would do for the rates across the rail belt and asked if there were details around winners and losers.

Mr. Miller replied that in general, the transmission costs were allocated on a capacity structure

Representative Stapp asked about ancillary services.

Mr. Miller remarked that there were standard services that were the same and formulaic based, but stated that each cost structure would be different.

Representative Stapp queried the definition of "generation rates."

Mr. Miller replied that the rate related to the generation plants that provided the service.

Representative Stapp wondered whether the ancillary services would be reflected in the transmission costs to equalize the diversity and generation.

Mr. Miller responded it was up for determination because there needed to be a recognition of the importance of ancillary services. He explained that the ancillary services were not added to the wheeling rate, and were a separate charge.

Representative Stapp talked about the moment when the new power generators came online. He wondered whether the capital intensive was state capital or Chugach Electric capital.

Mr. Miller responded that it was all of the above.

Representative Stapp wondered why there was not an aggregate cost.

[10:38:25 AM](#)

Mr. Miller responded that Golden Valley got the benefit of certain aggregated services that were provided by Bradley Lake, without being interconnected in the system.

Representative Stapp wondered why there was not a wheeling charge for the entirety of the wheeling system.

Mr. Miller responded that ultimately, any price distortion would be supported by Chugach.

Representative Ortiz asked if there would be an impact outside of the rail belt.

Mr. Miller replied that it was written for the rail belt utilities.

Representative Ortiz noted that the bill addressed independent power producers and transmission systems, but there was no defined "rail belt."

Mr. Miller responded that the language could be modified to specify the location.

[10:43:54 AM](#)

Representative Galvin was concerned that it would not immediately lower rates for anchorage.

Mr. Miller thought having the utilities continuing to work together would lower the cost eventually overall.

Representative Galvin asked if there was anything the leg could do to build or reinforce lower rates.

Mr. Miller responded that the biggest thing was to avoid overly prescriptive legislation.

[10:49:56 AM](#)

Representative Hannan remarked that the utilities had said that the concern was that it was too broad, and stressed that the rail belt should not see exclusion.

Mr. Miller replied that he would not have a problem limiting it to the rail belt.

[10:53:58 AM](#)

Representative Stapp wondered if power being wielded was being sold cheaper.

Mr. Miller responded in the affirmative.

Representative Stapp wondered whether it was a 10 percent difference.

Mr. Miller responded in the affirmative.

Co-Chair Edgmon stressed that the issue was more than simply integrating the entire system.

Mr. Miller thanked the committee for its time.

Co-Chair Foster wanted to make sure that they were not rushing it.

[11:00:34 AM](#)

BRAD JANORSCHKE, GENERAL MANAGER, HOMER ELECTRIC ASSOCIATION, he recommended that they slow down the legislation. He stressed that the issue was complicated, and wanted to ensure that he understood that there was an actual problem.

[11:07:10 AM](#)

Representative Stapp asked

Mr. Janorschke replied that the utilities would continue to import energy and use gas.

Representative Stapp asked about the pros and cons for the bill.

Mr. Janorschke felt that lowering the cost for everyone in the state was important, but he did not feel that uniting a transmission system would make the lower cost possible.

Representative Stapp did not disagree, and he asked if the leg should slow the match for GRIP funding.

Mr. Janorschke replied that the GRIP funding was not tied to the legislation.

11:10:58 AM

Representative Cronk asked for a definition of I-lending.

Mr. Janorschke responded that it was when there was a physical separation between all others on the rail belt.

Representative Cronk asked if ERO was the best structure.

Mr. Janorschke responded that he had not been too involved in the process, so he could not express an accurate opinion.

11:15:49 AM

Representative Cronk asked what the most pressing issue was for utilities

Mr. Janorschke responded that it was gas.

Representative Cronk remarked that a majority of his district was high cost and he was willing to do whatever was necessary to get the rate down.

Representative Hannan wondered whether the committee substitute for SB 217 should move forward in the legislative process.

Mr. Janorschke responded that he had not seen the CS for SB 217. He stressed that it was a complicated business and everything that he had seen so far focused on the transmission system. He wanted to hear what the regulatory experts had to say.

11:19:42 AM

Representative Hannan asked whether or not a transmission bill should see passage.

Mr. Janorschke preferred not to see a transmission bill pass in the current session.

Representative Coulombe understood the rate issue was something that needed to be solved, and stated that what seemed to be unspoken was renewable energy. She asked if there was a problem she was not understanding.

Mr. Janorschke replied that there was a large solar project approved by the board, which was the largest battery facility within 500 miles. He stressed that there was risk associated with having one fuel and one supplier, so if it was a large solar project, the bank would still need to be paid for the mortgage through other generators of power.

Representative Coulombe remarked that the transmission line was connected but not integrated would the bill help renewables come online.

[11:24:35 AM](#)

Mr. Janorschke replied in the negative, and explained that the biggest thing for renewables was a way to control.

Co-Chair Edgmon stressed that the legislature had been dealing with energy issues all session and felt that action should not be taken in the current session.

Mr. Janorschke agreed that it was in best interest of everyone to get the correct legislation the first time.

[11:29:33 AM](#)

Co-Chair Edgmon he felt that there was a need to act in the current session, and he was listening carefully and wanted to factor it in to his decision.

Representative Galvin queried the reason for waiting.

Mr. Janorschke replied that conversations had only begun in the previous November, so more time was required for the legislation.

Representative Galvin asked if the group had been deputized as the organization that was to better inform the governor and legislature.

Mr. Janorschke was not sure about deputized individuals.

[11:34:52 AM](#)

Representative Stapp asked about the most critical issue was the gas in Cook Inlet. He wondered what would help Homer Electric as it related to gas.

Mr. Janorschke replied that he was not a gas expert.

Representative Stapp asked if the legislature should act on the gas issue in the current session.

Mr. Janorschke replied that it was a very complicated issue.

Representative Cronk represented rural district and rail belt affected the rates in his district, however, he would support a lower rate in Anchorage.

Representative Hannan asked about importing gas and whether there was any legislative action that could be taken for the ability to pursue it.

Mr. Janorschke responded that he was working with them on that issue.

Representative Hannan surmised no leg action was needed for the discussions to continue.

Mr. Janorschke responded in the affirmative.

[11:40:39 AM](#)

Co-Chair Johnson queried the status of the contract.

Mr. Janorschke replied that a past contract expired at the end of March, and there was a one-year contract with Enstar as part of the integration effort.

[11:44:54 AM](#)

AT EASE

[11:45:51 AM](#)

RECONVENED

[11:46:28 AM](#)

JULIE ESTEY, CHIEF STRATEGY OFFICER, MATANUSKA ELECTRIC ASSOCIATION, she relayed that it was a complex issue and MEA came to Alaska as a "short term loser" members did not pay a lot of transmission costs. She supportive of the bill as a new path forward.

Co-Chair Johnson wondered what would happen if the bill did not move forward in the current year. She also asked about the disagreements among the coops, and how those were finding resolution.

Ms. Estey responded that the disagreements were a function of the coops, and were all situated differently. She stressed that there was an attempt to fix those overlays. She remarked that there were different options, and each provider was different. She stressed that there had been agreements among the CEOs to determine solutions.

[12:03:17 PM](#)

Ms. Estey urged to take action on the bill.

Representative Hannan asked about the defining the transmission as rail belt transmission exclusively.

Ms. Estey she would support whatever the southeast communities felt was necessary.

[12:12:52 PM](#)

Representative Josephson asked for an email of a list of the concrete bullet points.

Ms. Estey replied that MEA supported the passage of the CS as is because although it was not perfect, the items needed to see settlement.

Co-Chair Foster asked for a short summary of the CS.

Ms. Estey stressed that MEA was looking at all options.

[12:16:39 PM](#)

Co-Chair Foster intended to pick up the bill at the afternoon meeting.

HB 307 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[12:18:32 PM](#)

The meeting was adjourned at 12:18 p.m.