

HB 121

SPONSOR STATEMENT

CSHB 121 (C&RA) — Integrated Resource Planning & Energy Efficiency

CS House Bill 121 (C&RA)

The recent war in the Middle East has once again focused worldwide attention on the vulnerability of our non-renewable energy supplies and the need to aggressively pursue energy policies that emphasize energy efficiency and conservation in concert with the development of additional energy supplies.

CS House Bill 121 (C&RA) has two basic elements. This legislation would,

- 1) establish an Integrated Resource Planning (IRP) requirement for the state's largest Railbelt utilities (ie, yearly sales in excess of 300 million kilowatt hours); and
- 2) direct the Department of Community and Regional Affairs (DCRA) to prepare a report for the legislature concerning the implications of a major energy supply disruption.

Integrated Resource Planning

Integrated resource planning, also popularly referred to as "least-cost planning," is a planning process that ensures that utilities develop the most cost-effective energy system by integrating the analysis of "demand-side" energy service options with "supply-side" options.

Integrated Resource Planning enables utilities to evaluate "demand side" conservation options (so-called "end-use" technologies that conserve electricity) on an equal basis with the development of new power generation facilities. A 1988 House Research Agency (HRA) report, indicates that integrated resource planning is long overdue in Alaska. As noted by the House Research Agency, in urban areas of the state, \$1.3 billion was appropriated between FY 77 and FY 88. Over 99 percent of these appropriations were spent on "supply-side" projects and less than one percent on demand-side investments. If a true integrated resource planning process had been in place during this period, the study concluded, "a comprehensive analysis would have revealed residential and commercial building standards, commercial ventilation and lighting technical improvements, energy efficient appliances, and load management as feasible or more cost effective alternatives to new generating capacity." (See *Energy Planning in Alaska: Past Efforts and A Future Direction*, February 1988).

As noted in materials provided by Analysis North (the state's utility consumer advocate) demand-side energy efficiency and conservation investments could significantly offset the need for additional Railbelt power capacity investments. Conservation program investments could reduce the need for additional capacity investments in the year 2010 by 73 megawatts. (By comparison, the proposed Healy Coal Project would provide 50 megawatts of generation capacity.) Moreover, the AEA studies have concluded that energy efficiency investments are very *cost-effective* when compared to supply-side alternatives on a cost-benefit basis. The top three conservation program investments would produce a benefit of \$1.65 for each \$1 invested while a number of the supply side alternatives have benefits lower than costs.

Need for CS House Bill 121 (C&RA)

A recent report prepared by the Legislative Research Agency (Research Request 91.025) identified the need for a true Integrated Resource Planning process in Alaska:

Alaska state government should initiate a planning process that incorporates several key elements. ... The emphasis needs to change from studying and approving specific capital power projects to determining the best (least-cost) combination of supply and demand side power programs that meet energy requirements. ... the state should expend no funds that assist energy projects that are not consistent with the energy plan developed jointly between the state, industry and other groups.

The state has invested hundreds of millions of dollars in the Railbelt's electrical energy generating and distribution facilities and there is a compelling public interest in the efficient and cost-effective utilization of these state-financed facilities. CSHB 121 (C&RA) would ensure a much needed planning process to provide on-going evaluation of cost-effective energy efficiency and conservation investments as a condition of using state subsidized power facilities and access to future state subsidies or financing.

The planning requirements proposed in CSHB 121 (C&RA) would only apply to the state's larger Railbelt electric utilities (ie, utilities served by state-owned or financed power facilities and having sales in excess of 300,000,000 kwh). These are utilities with the administrative and financial resources to undertake the required planning efforts. CSHB 121 (C&RA) would ensure that future development of Railbelt utility systems proceeds in a balanced fashion with appropriate consideration given to both supply-side and demand-side alternatives.

Sectional Analysis

CSHB 121 (C&RA) — Energy Efficiency and Security Act

Section 1

Findings.

Section 2

Short Title: "Energy Efficiency and Security Act"

Section 3

Requires utilities served by state-owned or financed power facilities with annual sales greater than 300 million kilowatt hours (kwh) to prepare 20-year **integrated resource plans**. The plans would evaluate "demand-side" and "supply-side" energy alternatives available to the utility to meet forecasted power requirements. The first plan would be prepared on or before January 15, 1993, and every 4 years thereafter.

Plans would approved by the Alaska Public Utilities Commission (APUC), in consultation with the Alaska Energy Authority (AEA). Major elements of the integrated resource plans would:

- identify a utility's current facilities and forecasted retirement schedule;
- document energy end-use in the service area;
- provide 20-year power demand forecasts (base, high, low);
- evaluate alternative development options with consideration given to availability, reliability, flexibility and cost effectiveness;
- identify the system option with the lowest cost ;
- evaluate demand-side and supply-side alternatives; and
- recommend a specific system development option.

The APUC is directed to develop a consistent reporting methodology in consultation with the Alaska Energy Authority, including coordinated filing of plans by closely integrated utilities. The APUC shall establish by regulation a public process for the review and approval of integrated resource plans. The APUC is directed to approve a plan upon a finding that the plan would:

- ensure system reliability;
- provide consumers with the lowest reasonable cost of power;
- adequately address the conservation of electrical energy;

STATE OF ALASKA
1991 LEGISLATIVE SESSION

No. 3
Bill Version: CSHB 121(CRA)
(H) Publish Date: 4/3/91

Revision Date: March 21, 1991
Title: An act requiring certain
elect. utils. to prepare int.res. plans
Sponsor: Rep. Kay Brown
Requestor: Rep. Kay Brown
Department Affected: DCED
BRU: APUC
Component: _____
COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	30	60	62	64	66	68
TRAVEL	5	15	5	5	5	15
CONTRACTUAL	75	125				175
SUPPLIES		10			10	
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	110	210	67	69	81	268

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	110	210	67	69	81	268
FEDERAL FUNDS						
OTHER						
TOTAL	110	210	67	69	81	268

POSITIONS:

FULL-TIME						
PART-TIME	0.5					
TEMPORARY						

Estimate of current year impact: No impact in FY91

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: [Signature], Acting Exec. Director Phone: 276-6222
Division: Alaska Public Utilities Commission Date: 3/21/91

Approved by Commissioner: _____
Agency: _____ Date: _____

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 1

Bill Version: CSHB 121(CRA)

(H) Publish Date: 3/22/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Community & Regional Affairs
 Title: "An Act relating to energy efficiency and security...." BRU: Energy Programs
 Component: Energy Conservation

Sponsor: Rep. Brown

Requestor: _____

COMPONENT SERIAL NO.

	6	7	7
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	11.2	-0-	-0-	-0-	-0-	-0-
TRAVEL	6.0	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	61.8	-0-	-0-	-0-	-0-	-0-
SUPPLIES	1.0	-0-	-0-	-0-	-0-	-0-
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	80.0	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	80.0	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	80.0	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

These monies will fund 20 percent of an Energy Specialist and provide the necessary travel, contractual, and supply funds to prepare the report on the implications of a major energy supply disruption to the State.

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708

Division: Administrative Services Date: 3/21/91

Approved by Commissioner: Remond Henderson for EOGAC BLATCHFORD *Remond Henderson for EOGAC BLATCHFORD*

Agency: Community & Regional Affairs Date: 3/21/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSHB 121 (CRA)

Revision Date: _____ Department Affected: Commerce & Economic Development
Title: Integrated Resource Plans BRU: _____

Component: _____

Sponsor: Brown, Ellis, et.al.

Requestor: (H) Labor & Commerce

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	30	30*	-0-	-0-	-0-	30*
TRAVEL						
CONTRACTUAL	-0-	250	-0-	-0-	-0-	250
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-0-	1,000.0	-0-	-0-	-0-	1,000.0
MISCELLANEOUS						
TOTAL OPERATING	30	1,280.0	-0-	-0-	-0-	1,280.0

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	30	1,280.0	-0-	-0-	-0-	1,280.0
FEDERAL FUNDS						
OTHER						
TOTAL	30	1,280.0	-0-	-0-	-0-	1,280.0

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year impact: no fiscal impact during FY 91

ANALYSIS: (Attach a separate page if necessary.) See attached fiscal note analysis.
*An amount of \$30,000 in personal services would be necessary to pay a portion of the position cost associated with administering grants and contracts related to integrated resource planning.

Prepared By: Robert E. LeResche, Executive Director Phone: 465-3575

Division: Alaska Energy Authority Date: _____

Approved by Commissioner: Glenn Olds *[Signature]*

Agency: Commerce & Economic Development Date: 4-15-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

HOUSE BILL NO. 121 - FISCAL NOTE ANALYSIS

Under Sec. 3, of HB 121, AS 42.05 is amended by adding a new section, Sec. 42.05.292. INTEGRATED RESOURCE PLANS. The Alaska Energy Authority is assigned tasks under Sec. 42.05.292. (b); and also under Sec. 42.05.293. REVIEW AND APPROVAL OF INTEGRATED RESOURCE PLANS. (b) and Secs. 4. and 5. of the bill. The Alaska Energy Authority's required technical assistance as prescribed within this bill does have a fiscal impact, which is explained below:

Electric utilities as qualified under Sec. 42.05.292., would be required to file the first plan on or before January 15, 1993, and every four years thereafter, to the APUC. The Alaska Energy Authority's tasks related to the required integrated resource plans are as follows:

- 1.) A one time consultation to APUC on procedural regulations, as would be required under Sec. 42.05.292. (b). The cost associated with this task is estimated to be \$15,000, which would occur during FY 92.
- 2.) Reviews the integrated resource plans and provides consultation to APUC on the required elements of each plan. The costs associated with this task would be \$250,000, at an estimated \$50,000 per plan for five utilities. This task would first be required in FY 93 and then every four years. The FY 97 figure is based on estimated FY 93 cost and does not include inflation.
- 3.) Under Sec. 4. of the bill, a new section is added to AS 44.83, which provides that the Authority may make grants to electric utilities to assist in paying the cost of preparing the integrated resource plans. The estimated cost of this task is \$1,000,000, at an estimated \$200,000 each for five utilities. The proposed grants are not likely to cover the total cost of the plan preparation and production by the utilities, but would assist in paying for a portion of the utilities' cost of a plan. This task would first be required in FY 93 and then every four years. The FY 97 figure is based on estimated FY 93 cost and does not include inflation.
- 4.) A one time consultation to the Department of Community and Regional Affairs on the required energy disruption report. This cost associated with this task is estimated to be \$15,000, which would occur during FY 92. Reference Section 5. of the bill.

The costs associated with the Alaska Energy Authority's role in providing technical and financial assistance to the APUC and the utilities which are required to file integrated resource plans, were based on our past experience with work of this nature. Our estimates reflect the cost of both in-house and contractual work. The tasks relating to the one time consultations with APUC and the Department of Community and Regional Affairs would be done in-house. The task relating to the review of the integrated resource plans for each of the required utilities would be completed through contracts. The technical assistance which the Energy Authority will be required to provide under HB 121, is of a highly technical nature, and in order to give the tasks the serious attention and the in-depth examination the bill calls for, there will be significant fiscal impact.

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

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ALASKA PUBLIC UTILITIES COMMISSION COMMENTS ON CSHB 121

March 21, 1991

The Commission strongly supports CSHB 121 which requires the large Railbelt electric utilities to prepare and implement integrated resource plans (least cost plans) which have been coordinated and approved by the Commission.

The purpose of integrated resource plans is to evaluate all of the electricity-producing and electricity-saving options available to a utility in order to select the most cost-effective means of providing adequate and reliable power to consumers. This planning process has become the **established business practice** for electric utilities across the country. Approximately 17 states have implemented programs similar to this legislation, and, indeed, four of the five Railbelt utilities covered by CSHB 121 have adopted resolutions endorsing least cost planning. In particular, this information is fundamental to electric utilities' **investment and rate decisions** which is why GVEA developed an integrated resource plan in conjunction with its evaluation of the Healy coal project. Given the state's historical involvement in financing energy projects and its decreasing resources, the plans will be a critical tool in **deciding policy and appropriations issues** affecting these utilities.

In addition to mandating that the Railbelt electric utilities perform this planning exercise, CSHB 121 provides for the Commission to review and approve the plans. By using common assumptions and examining the individual utility plans from a Railbelt-wide perspective, the Commission is in a position to assist the utilities to work together to find win-win alternatives which will result in **lower bills for all Railbelt consumers**. Otherwise, individual utility actions may benefit one utility's consumers at the expense of others. Such consistent, coordinated approval is essential if the full benefits of integrated resource planning are to be realized.

In summary, the Commission believes that it is **good, perhaps essential, public policy** to require the large Railbelt electric utilities to prepare and implement approved integrated resource plans. Therefore, the Commission endorses CSHB 121 and urges its adoption by the Legislature.

STATE OF ALASKA

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ALASKA PUBLIC UTILITIES COMMISSION

MEMORANDUM

April 29, 1991

TO: House Finance Committee

FROM: *Susan M. Knowles*
Susan M. Knowles, Commissioner

SUBJECT: Response to Representative Ramona Barnes regarding questions from Chugach Electric Association, dated April 9, 1991

At the hearing on CSHB 121 before the House Finance Committee on April 16, 1991, Representative Ramona Barnes read me a question from a document prepared by Chugach Electric Association, Inc. (Chugach). Given the complexity of the question and the fact that other members of the Committee did not have copies of the document which included this and other questions, it was decided that a copy of the questions would be faxed to the Commission for review and response. This memorandum is written to respond to the Committee's request and to provide brief responses to each of the questions posed by Chugach.

1. The Commission and the Alaska Energy Authority (AEA) have common expertise and complementary responsibilities in energy matters in this state. The bill recognizes this by providing for AEA input into regulations which may be drafted to implement CSHB 121 and into the proceedings where integrated resource plans are reviewed. However, ultimate approval of the plans resides with the Commission. No additional independent agency needs to be created.
2. No additional independent agency needs to be created.
3. The requirements for integrated resource plans are set forth in the statute and, if necessary, may be supplemented by regulations. Practical experience with developing and reviewing these plans will form the basis of future guidance. These are not after-the-fact requirements. Again, no additional independent agency needs to be created.
4. The utilities will have the responsibility of demonstrating that the projects they want the state to fund are consistent with the plans approved by the Commission.

House Finance Committee
Page 2 of 2
April 29, 1991

5. "Commodity displacement" means the displacement or trading of electrons generated by one power source for those generated by another power source.

6. Environmental costs will be defined by the utilities in their integrated resource plans and, if necessary, in regulations which may be drafted to implement CSHB 121. There is no requirement for DEC to participate.

7. The language proposed in AS 42.05.293(c) (Section 3 at page 5) is standard regulatory procedure. That is, a utility proposes a tariff, a rate change, a plan, etc., and the Commission disposes by approval, rejection, or modification. There is no change in the fundamental duties and responsibilities of regulated industries or regulators under this language.

8. The involvement of two or more agencies in developing the ground rules (i.e. regulations) and one agency in implementation will in fact streamline the process and assure the best results. No additional independent agency needs to be created.

9. The coordination provided by Commission oversight of the utilities' integrated resource plans insures that the public interest is served.

The Commission believes that the foregoing responses resolve the issues raised by Chugach regarding how integrated resource planning would work under the bill and continues to urge adoption of CSHB 121. If additional information or explanation is required, please do not hesitate to contact the Commission.

cc: Chairman Don Schröer

STATE OF ALASKA

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MEMORANDUM

April 26, 1991

TO: House Finance Committee

FROM: Mark A. Foster, Commissioner *M.A. Foster*

SUBJECT: Questions raised on CSHB121 at the Teleconference of April 16, 1991
Status of Integrated Resource Planning (Least-Cost Planning or LCP) in the United States:

The most recent Electric Power Research Institute (EPRI, a research institute for the electric industry) report of June 1990, states "at least 23 states now have functional least-cost planning strategies." Further, *legislatures in at least 16 of these states have supported the process, e.g., by passing LCP laws or by giving authority to the commissions to establish and enforce regulations (see attached).*

On February 27, 1991, the Rural Electrification Administration (REA) initiated a rulemaking on "General and Pre-loan Policies and Procedures Common to Insured and Guaranteed Electric Loans." The notice contains a number of provisions which require the utilities to review load management, energy conservation, and power purchases from other suppliers. In addition, it specifically refers to state regulatory coordination:

A great amount of information on the economics, feasibility, allowable rates, operating efficiency, credit risks, public support, and other key factors is developed in the process of obtaining state regulatory approvals...

Therefore, in states having jurisdiction, borrowers may now be required when feasible, to obtain state regulatory approval for projects...when the loan is for financing generation or transmission facilities and the loan request for such facilities is for \$25 million or more. In any event, state regulatory approval will be required for all loans before loan funds are advanced.

Thus, the REA acknowledges and *supports* state regulatory reviews in the planning process of electric cooperatives across the country.

In summary, least-cost planning is a well established business practice. The development of least-cost plans with state regulatory oversight is supported by REA. The Commission continues to strongly encourage the adoption of CSHB 121 by the Legislature.

cc: Chairman Don Schröer

EM-6133
RESEARCH PROJECT 2982-2
REVISED FINAL REPORT, JUNE 1990

Status of Least-Cost Planning in the United States

EM-6133
Research Project 2982-2

Revised Final Report, June 1990

Prepared by:

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Demand-Side Planning Program
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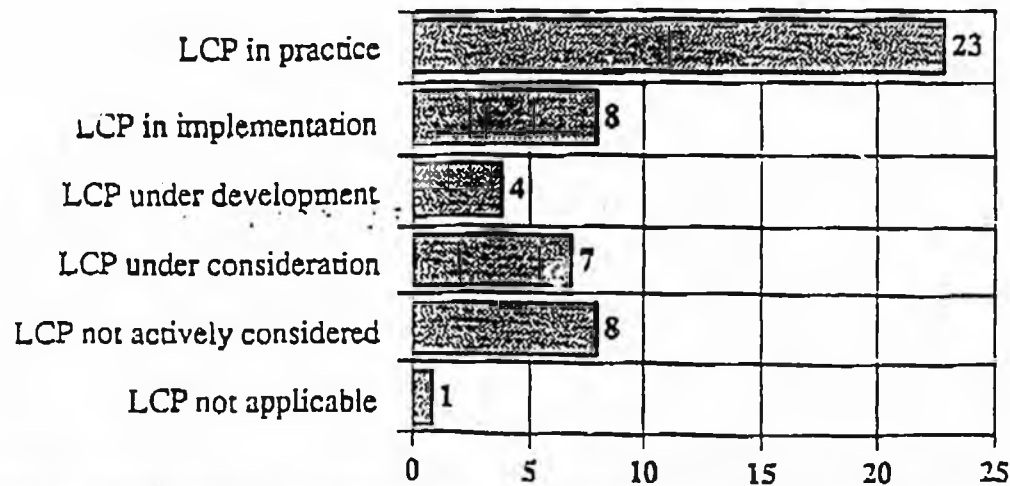
At least 42 states now have functioning LCP strategies or are considering, developing, or implementing a least-cost planning process that will ensure the most cost-effective mix of new generating facilities and demand-side management (DSM). In most of these states, regulatory commissions or legislative bodies lead the development of LCP procedures through mandate or active encouragement of nascent utility processes. There are at least seven states implementing or practicing LCP informally.

RESULTS OF THE 1990 SURVEY

At least 23 states now have functional LCP strategies (see Figure 3). The six additional states represent a 35% increase in this category, and a 12% increase in the nation. Commissions enforce LCP through a variety of regulations and filing requirements, often using plant authorization or rate cases as the forum. Legislatures in at least 16 of these states have supported the process, e.g., by passing LCP laws or by giving authority to the commissions to establish and enforce regulations. Utilities in a few of these 23 states practice LCP without regulatory or legislative mandates.

An additional eight states are beginning to implement LCP strategies through legislative, regulatory or utility action. Regulatory planners are developing or actively considering LCP in 11 more states. Two of these 11 states are

Figure 3
NATIONWIDE STATUS OF LEAST-COST PLANNING



municipal systems prepare annual plans that include load analyses and forecasts similar to those proposed for a PRS. The rule provides for adequate flexibility to allow borrowers, within widely accepted industry practice, to develop a PRS that will meet the needs of both the borrower and REA.

With rapid changes in end-use technologies and substantial uncertainty in energy and financial markets, annual revision of load forecasts are needed by most borrowers for system planning and to ensure that revenues will be adequate. They are also necessary to enable REA to monitor a borrower's current and future financial condition and its effect on loan feasibility and security. An ongoing commitment and effort is needed by most borrowers to develop the information and expertise needed to stay abreast of market changes and their effects on power sales and revenues.

This new rule clarifies the annual requirement to update the PRS. The annual update must incorporate new data and assumptions as appropriate, but it need not include new or revised equations or models. The basic equations and models of the PRS must be evaluated and revised, as necessary, at least every 3 years.

Also, this rule excludes power supply borrowers with assets of less than \$100 million, as well as their member systems, from the general requirement to prepare and maintain a PRS on an ongoing basis with annual updates. These borrowers and virtually all other distribution borrowers, except the few that have generation and transmission assets of \$100 million or more, will be required to prepare a PRS only when seeking financial assistance from REA or approval of long-term power contracts or other actions as appropriate.

Some comments on the earlier rule said that the requirements for coordination between a power supply borrower and its members in preparing their respective PRSs were unnecessary or unreasonably burdensome. REA has required meaningful, effective coordination between a power supply borrower and its members in the preparation of PRSs since the "file with" amendment of Bulletin 120-1 in 1980. Such coordination is essential to ensure that all relevant information and expertise is brought to bear in preparing the load forecasts and that the load forecasts of the power supply borrower are consistent with those of its members.

These systems represent economic families whose financial fortunes are integrally related. A power supply

borrower's load derives primarily from the loads of its members. To demonstrate loan feasibility and continuing loan security, a power supply borrower must be able to demonstrate that its load forecast is consistent with and supported by its members' forecasted loads.

Some comments on the earlier proposed rule opposed the requirement for a PRS work plan. This new rule requires a work plan only for power supply borrowers with total assets of \$100 million or more and the few distribution borrowers with generation and transmission assets of \$100 million or more. A power supply borrower's work plan will cover its PRS as well as the PRSs of its members.

REA believes it is essential that agreement be reached early in the planning process among a power supply borrower, its members, and REA as to the resources, methods and schedules to be used during the planning period to prepare and maintain the required PRSs. Such agreement in the form of a work plan will improve communications and coordination, facilitate management and monitoring of the process, and help ensure that PRSs acceptable to all parties will be prepared on time and kept up to date.

Several comments on the earlier rule opposed the requirement for end-use consumer surveys. This new rule requires residential consumer surveys at least every 3 years, if residential demand is a substantial portion of total demand, for those borrowers required to prepare and maintain a PRS on an ongoing basis. With rapid changes in end-use technologies and substantial uncertainty in energy markets and in consumer behavior, it is important to obtain detailed end-use data at least every 3 years. Such surveys are a common practice in the industry.

The requirement for sensitivity analyses of significant assumptions was criticized in several comments received on the earlier rule. This requirement has been retained because of the need to test economic relationships and load forecasts under different assumptions about the future. A single forecast based on the forecaster's best judgment about important assumptions tells only one story, and a rather narrow one at that. Sensitivity analysis of the effects of varying important assumptions is essential for understanding what will happen to forecasted loads and other key variables if the forecaster's best judgment raises the mark. Sensitivity analysis is a standard technique used in all economic forecasting and other types of analyses.

This rule contains a provision that PRS requirements can be waived by the Administrator if such waiver will not significantly affect accomplishment of the rule's objectives and if the requirement imposes a substantial burden on the borrower. This is intended to enhance flexibility in cases where waiving a particular requirement will not significantly affect the quality or timeliness of a PRS.

For several years REA has been encouraging borrowers to improve load management, load factors and energy conservation; to reduce energy losses; and to seek out alternative sources of power so as to reduce the need for new generation capacity and decrease the risk and costs of excess capacity. Capacity developed since the late 1970's has left several power supply borrowers with large amounts of excess capacity and onerous capital costs, resulting in loan defaults and bankruptcies in some cases.

It is REA's policy that before a borrower submits a loan application to finance additional generation capacity it must demonstrate to REA that it has explored all practical and feasible alternatives to adding new capacity, including improved load management, energy conservation, and power purchases from other suppliers. The borrower will be required to solicit bids for power from other utilities, including REA-financed systems, and from independent power producers, including co-generators. REA believes this will help improve the utilization of existing capacity, some of it owned by REA borrowers, further the development of lower cost power options, and reduce the risks and costs of developing excess generation capacity.

A great amount of information on the economics, feasibility, allowable rates, operating efficiency, credit risks, public support, and other key factors is developed in the process of obtaining state regulatory approvals of borrower construction projects and the associated financing. Experience with several financially troubled borrowers has emphasized the importance of evaluating all relevant information before committing to a loan or loan guarantee.

Therefore, in states having jurisdiction, borrowers may now be required, when feasible, to obtain state regulatory authority approvals for projects and their associated financing before REA will approve a loan or loan guarantee when an Environmental Impact Statement is required, or when the loan is for financing generation or transmission facilities and the loan

request for such facilities is for \$25 million or more. In any event, state regulatory authority approval will be required for all loans before loan funds are advanced.

REA believes this change will lead to a more effective planning process and reduce the financial risks to the borrower, its members and REA. REA will work closely with borrowers and state officials to encourage an orderly and timely planning process.

Pursuant to OMB Circular A-129, REA will require borrowers to report any Federal debt delinquency, such as Federal income tax obligations or a loan or guarantee from another Federal agency, and the reason for the delinquency prior to approval of a REA loan or advance of funds. Borrowers must also certify that they have been informed of the collection options the Federal government may use to collect delinquent debt.

REA believes this rule will clarify the general loan policies and pre-loan policies and requirements applicable to both insured and guaranteed electric loans, bring them up to date, facilitate understanding and compliance by borrowers, and improve program effectiveness.

List of Subjects in 7 CFR Part 1710

Administrative practices and procedures, Electric utilities, Guaranteed loan program, Insured loan program, Loan programs.

In view of the above REA proposes to amend 7 CFR chapter XVII by adding a new part 1710 to read as follows:¹

PART 1710—GENERAL AND PRE-LOAN POLICIES AND PROCEDURES COMMON TO INSURED AND GUARANTEED ELECTRIC LOANS

Subpart A—General

- 1710.1 General statement.
- 1710.2 Definitions and rules of construction.
- 1710.3 Form revisions.
- 1710.4 Exception authority.
- 1710.5 Availability of forms.
- 1710.6-1710.49 [Reserved]

Subpart B—Types of Loans and Loan Guarantees

- 1710.50 Insured loans.
- 1710.51 Loan guarantees.
- 1710.52-1710.99 [Reserved]

Subpart C—Loan Purposes and Basic Policies

- 1710.100 General.
- 1710.101 Types of eligible borrowers.
- 1710.102 Borrower eligibility for different types of loans. [Reserved]

- 1710.103 Area coverage.
- 1710.104 Service of non-REA Act beneficiaries.
- 1710.105 State regulatory approvals.
- 1710.106 Uses of loan funds.
- 1710.107 Amount lent for acquisitions.
- 1710.108 Mergers and consolidations.
- 1710.109 Reimbursement of general funds.
- 1710.110 Supplemental financing.
- 1710.111 Refinancing.
- 1710.112 Loan feasibility.
- 1710.113 Loan security.
- 1710.114 TLER and DSC requirements.
- 1710.115 Loan maturity.
- 1710.116 Equity development plan.
- 1710.117 Environmental considerations.
- 1710.118 Energy conservation and load management.
- 1710.119 Loan processing priorities.
- 1710.120 Construction standards and contracts.
- 1710.121 Insurance requirements.
- 1710.122 Equal opportunity and nondiscrimination.
- 1710.123 Debarment and suspension.
- 1710.124 Uniform Relocation Act.
- 1710.125 Restrictions on lobbying.
- 1710.126 Federal debt delinquency.
- 1710.127 Drug free workplace.
- 1710.128-1710.149 [Reserved]

Subpart C—Basic Requirements for Loan Approval

- 1710.150 General.
- 1710.151 Required findings for all loans.
- 1710.152 Priority support documents.
- 1710.153 Additional requirements and procedures.
- 1710.154-1710.199 [Reserved]

Subpart E—Power Requirements Studies

- 1710.200 Purpose.
- 1710.201 Requirement to prepare a PRS—power supply borrowers.
- 1710.202 Requirement to prepare a PRS—distribution borrowers.
- 1710.203 Basic policies and requirements for a PRS.
- 1710.204 PRS work plan requirements.
- 1710.205 Basic criteria for REA approval of a PRS.
- 1710.206 Waiver of borrower requirements.
- 1710.207-1710.249 [Reserved]

Subpart F—Construction Work Plans and Related Studies

- 1710.250 General.
- 1710.251 Construction work plans—distribution borrowers.
- 1710.252 Construction work plans—power supply borrowers.
- 1710.253 Engineering and cost studies—addition of generation capacity.
- 1710.254 Alternative sources of power.
- 1710.255-1710.299 [Reserved]

Subpart G—Long-Range Financial Forecasts

- 1710.300 General.
- 1710.301 Financial forecasts—distribution borrowers.
- 1710.302 Financial forecasts—power supply borrowers.
- 1710.303 Power cost studies—power supply borrowers.
- 1710.304-1710.349 [Reserved]

Subpart H—Credit Support of Power Supply Borrowers

- 1710.250-1710.299 [Reserved]
- Authority: 7 U.S.C. 901-950(b); Public Law 99-591; Delegation of Authority by the Secretary of Agriculture, 7 CFR 2.227; Delegation of Authority by the Under Secretary for Small Community and Rural Development, 7 CFR 2.72.

Subpart A—General

§ 1710.1 General statement.

(a) This part establishes general and pre-loan policies and requirements that apply to both insured and guaranteed loans to finance the construction and improvement of electric facilities in rural areas, including generation, transmission, and distribution facilities.

(b) Additional pre-loan policies, procedures, and requirements that apply specifically to either guaranteed or insured loans are set forth elsewhere:

(1) For guaranteed loans, in 7 CFR part 1712 and REA Bulletins 20-2, 20-5, 20-22, 60-10, 86-3, 105-5, 111-3, 112-3, and 145-1, or the successors to these bulletins, and

(2) For insured loans, in 7 CFR part 1714 and REA Bulletins 20-2, 20-14, 60-10, 86-3, 105-5, 111-3, 112-3, and 145-1, or the successors to these bulletins.

(c) This part supersedes those portions of the following REA Bulletins and supplements that are in conflict:

- 30-3 Electric Loan Policies and Application Procedures
- 20-5 Extensions of Payments of Principal and Interest
- 20-6 Loans for Generation and Transmission
- 20-14 Supplemental Financing for Loans Considered Under Section 4 of the Rural Electrification Act
- 20-20 Deferral of Principal Repayments for Investment in Supplemental Learning Institutions
- 20-22 Guarantee of Loans for Bulk Power Supply Facilities
- 60-10 Construction Work Plans, Electric Distribution Systems
- 86-3 Headquarters Facilities for Electric Borrowers
- 105-5 Financial Forecast—Electric Distribution Systems
- 111-3 Power Supply Surveys
- 112-3 Area Coverage Service
- 120-7 Development, Approval, and Use of Power Requirements Studies
- 145-1 Development, Approval, and Use of Irrigation Studies

(d) When parts 1710, 1712, and 1714 are published in final form, the bulletins cited in § 1710.1(b) of this part will be rescinded, in whole or in part, or revised.

¹ A related proposed rule proposing to add 7 CFR 1710.2 and 1710.102 was published February 20, 1991 at 56 FR 6812.



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT DCRA	DIVISION RDD	BILL NUMBER HB 121	SPONSOR Representative Kay Brown
SHORT TITLE OF BILL "Energy Efficiency and Security Act"			
DEPARTMENT POSITION			
PREPARED BY Steve Baden	DATE	COMMISSIONER'S SIGNATURE <i>Eg. K. J.</i>	DATE 3/11/91

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Alaska Public Utilities Commission Alaska Energy Authority	CONSTITUENT GROUP(S) AFFECTED BY BILL Utility consumers, utilities, energy efficiency advocates, building and electrical supply companies, and small businesses
ORGANIZATIONAL SUPPORT FOR BILL Consumer and energy advocacy groups	ORGANIZATIONAL OPPOSITION TO BILL None have emerged at this time

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

This legislation would require the state's largest utilities served by state-owned or financed power facilities to prepare integrated resource plans. Large portions of Alaska are vulnerable to supply or price disruptions beyond the state's control. A vivid example of this is the fact that events in the Middle East, have resulted in the price of heating oil in many Alaskan communities increasing by 40% since August. (Please see additional comments attached.)

ANALYSIS OF BILL/PROGRAM EFFECTS

Requires utilities served by state-owned or financed power facilities with an annual sale of over 300 million kilowatt hours to prepare integrated resource plans. The plans would evaluate supply and demand side power options and identify lowest cost options. The Alaska Public Utilities Commission would review and approve the integrated resource plan. Beginning on January 15, 1993, the State of Alaska would not participate in the finance or construction of a power project with a utility covered under the bill unless the project is consistent with the utility's integrated resource plan.

The Department of Community and Regional Affairs would be directed to prepare a report to the Legislature by January 15, 1992, that examines the implications of a major disruption of energy to Alaskans. This would include the effects of drastic price increases. (Please see additional comments attached.)

AMENDMENTS PROPOSED

Amend Section 5 to include options for mitigating the effects of a major disruption of energy supply as part of the report to the Legislature. (Please see additional comments attached.)

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

ADDITIONAL COMMENTS ON HOUSE BILL 121

Over the past ten years, the State of Alaska has invested hundreds of millions of dollars on power development and distribution projects. Not all of these projects proved to be economical. A planning process must be adopted to insure that, in future, all alternatives are equally considered and that consumer energy needs are met at the least cost.

Across the nation, states and utilities are taking advantage of a new way of looking at utility planning. This process is called integrated resource planning, or least cost planning. While there are many variants of the process, the common goal is that the utility allow supply and demand reductions to compete economically on a level playing field and that the utility invest in the option that best ensures system reliability and least cost to consumers. The utility-funded Electrical Power Research Institute reported in 1988 that at least 43 states had functioning integrated resource plans or were adopting one. While this planning process may cost a little more, it has saved utilities and consumers hundreds of millions of dollars. In most of the states, the state government spearheaded the adoption of the planning process.

In 1988, the Department of Community and Regional Affairs conducted a successful conference that explored the potential of integrated resource planning in Alaska. The conference was co-sponsored by the Alaska Public Utilities Commission, the Alaska Rural Electric Cooperatives Association, and energy and consumer interest groups. It brought together experts from across the nation to meet with representatives of the state's utilities, consumers, state officials, and legislators. The conference demonstrated there was considerable interest across the state in this new approach to utility planning.

Utilities across the nation have discovered that in many instances saving a kilowatt is a much better investment than producing a kilowatt. This could also be the case in Alaska. This potential is illustrated to the Railbelt energy alternatives study conducted by Alaska Energy Authority. The study found there were a number of energy efficient strategies that had highly favorable benefit-cost ratios under all fuel price and energy load forecasts.

In order to foster a sustainable economic future for Alaska, the state needs to have reliable and least cost energy. With the concern over declining state revenues, it is essential that all energy alternatives be reviewed through a consistent analysis and that the state only invest in the most cost effective options. An integrated resource planning process will present such a framework. The state's leadership on this issue is essential to ensure a sustainable energy future for Alaskans.

Additional Comments HB 121
February 21, 1991
Page Two

House Bill 121 would affect only those large utilities (Chugach Electric Association, Golden Valley Electric Association, Homer Electric Association, Matanuska Electric Association and Municipal Light and Power) that are served by state-owned or financed power projects. It will guide future state investments in power projects for these utilities and ensure the state and the consumer get the wisest return on these investments.

While Alaska is the leading oil producer in the nation, most areas of the state are dependent upon energy sources that are imported from outside of the state. Most areas of Alaska are vulnerable to events outside of the state that can affect the availability and affordability of energy needed to stay warm. Events in the Middle East have illustrated how vulnerable the nation's energy foundation is. Alaskans are at risk with this vulnerability. The federal government has shifted the responsibility of preparing for an energy disruption to the states. A study of the implications of a major energy supply disruption will provide state, local, and private sector decision makers a frame work in developing plans to prepare for such a contingency. Such a study would complement the state's disaster resource network. This report could be strengthened by including options to mitigate a major energy disruption.



Analysis North

Alaska's Utility Consumer Advocate

911 West 8th Avenue, Suite 204

Anchorage, Alaska 99501

907-272-3425

FEB 28 1991

February 25, 1991

Representative Kay Brown
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Brown:

In response to your request for a summary of the potential impacts of implementing aggressive electrical conservation programs in the Railbelt, I have prepared the attached table. The figures in the table are derived from the "Analysis of Electrical End Use Efficiency Programs for the Alaskan Railbelt". I wrote that report while employed by the Institute of Social and Economic Research (ISER), University of Alaska, Anchorage. The report was part of the Alaska Energy Authority Railbelt Intertie Reconnaissance Study completed in 1989.

The report addresses the potential impact of offering financial rebates for the implementation of a number of different electrical conservation measures in Railbelt residential and commercial buildings. Such rebates would be targeted at cost-effective energy conservation measures that consumers might normally bypass because of poor information, lack of capital, or other market failures. An example includes the use of energy-efficient fluorescent lamps and ballasts¹ in commercial lighting fixtures. Conservation rebates similar to these have been implemented by numerous electric utilities in the lower 48, including New England Electric System, Boston Edison, and Pacific Gas and Electric.

The first column of the table, *Peak Demand Reduction, MW* (megawatts), indicates the amount that the Railbelt peak electrical demand will be reduced by implementation of the programs. The next column, *Equivalent Generation Capacity, MW*, equals 1.3 times the Peak Demand Reduction. In order to reliably supply 1 MW of peak demand, about 1.3 megawatts of generation (power plant) capacity is required because generation capacity is not 100% reliable. This column therefore represents how much generation capacity is potentially avoided by the implementation of the conservation programs. The third column, *Energy Savings, MWh* (megawatt-hours), gives the annual energy savings from the conservation programs. Reducing electrical demand by 1 MW continuously for the entire year results in an energy savings of 8,766 megawatt-hours, because there are 8,766 hours in a year. However, the electrical demand

¹A fluorescent lamp ballast is the device that starts and provides proper operating conditions for fluorescent lamps.

Page 2
February 25, 1991

reductions caused by conservation programs typically vary across the hours of the year. A conservation measure that reduces demand by 1 MW during the peak demand period of the year typically saves only 4,500 megawatt-hours over the course of the year.

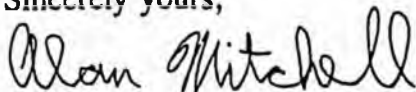
The last column, *Program Budgetary Cost*, indicates the annual expenditures required to fund the conservation programs. This includes the cost of the rebates and the general cost of administering the conservation programs. The costs are expressed in nominal or actual dollars so include the effects of general price inflation. That is one reason why the dollar figures rise in later program years. The present value of program costs is about \$66 million; i.e., an appropriation equal to \$66 million would fund the programs over their 20 year life if that appropriation could be invested at an interest rate 4.5% more than inflation. The programs could be reduced in scope for funding levels less than \$66 million.

The table shows that the conservation programs are expected to reduce the need for generation capacity in the year 2010 by 73 megawatts and reduce annual energy generation by 260,000 megawatt-hours. This energy savings amounts to approximately 7% of the expected Railbelt electrical load in the year 2010. Savings in all other years are less. For comparison purposes, the Bradley Lake hydroelectric project will be able to provide 120 MW of peak generation capacity and produce 370,000 megawatt-hours of electricity. The proposed Healy Clean Coal plant will provide 50 megawatts of generation capacity and also about 370,000 megawatt-hours of electricity.

My work at ISER involved estimating the costs of the conservation programs and the MW and MWh savings from the programs. Decision Focus Inc. determined how much generation costs would be reduced by those MW and MWh savings. They then compared the generation cost savings to the costs of the conservation programs. As well as the program budgetary costs described above, DFI's benefit/cost analysis included the costs paid by consumers (the rebates are *not* assumed to pay 100% of the conservation costs). Their analysis concluded that 8 of the 9 conservation programs analyzed were cost-effective, and those programs are expected to deliver \$1.31 of benefits for each \$1 of cost. The best 3 programs in that package of 8 programs produced \$1.65 of benefit per \$1 of cost. The next five programs had a benefit-to-cost ratio of 1.12.

Please call if you have any questions concerning this information.

Sincerely yours,



Alan Mitchell

Impact of Electrical End Use Efficiency Programs for the Alaskan Railbelt

Year	Peak Demand Reduction, MW	Equivalent Generation Capacity, MW	Energy Savings MWh	Program Budgetary Cost Nominal \$
1991	4.5	5.9	20,240	\$4,464,000
1992	9.6	12.5	42,610	\$4,791,000
1993	15.1	19.7	66,720	\$5,712,000
1994	20.8	27.0	91,640	\$5,957,000
1995	26.2	34.0	115,600	\$6,046,000
1996	29.1	37.8	129,150	\$6,679,000
1997	32.2	41.8	143,630	\$7,408,000
1998	35.7	46.4	159,740	\$8,841,000
1999	38.8	50.4	174,440	\$9,055,000
2000	41.1	53.5	186,330	\$9,196,000
2001	42.4	55.1	193,230	\$7,735,000
2002	44.2	57.4	202,100	\$9,737,000
2003	46.0	59.7	210,450	\$9,958,000
2004	47.9	62.3	219,780	\$11,395,000
2005	49.7	64.6	228,410	\$11,114,000
2006	51.4	66.8	236,630	\$10,965,000
2007	53.3	69.3	245,370	\$11,917,000
2008	55.0	71.4	253,400	\$12,038,000
2009	55.7	72.4	257,330	\$12,769,000
2010	56.2	73.0	260,000	\$14,943,000
2011	51.6	67.1	240,030	\$0
2012	47.2	61.4	220,860	\$0
2013	43.2	56.2	203,250	\$0
2014	38.5	50.0	182,290	\$0
2015	33.5	43.6	160,290	\$0
2016	30.3	39.4	145,350	\$0
2017	27.4	35.7	132,030	\$0
2018	24.7	32.1	119,380	\$0
2019	22.0	28.6	106,940	\$0
2020	19.7	25.5	95,140	\$0
2021	17.7	23.0	85,610	\$0
2022	15.5	20.1	75,070	\$0
2023	13.4	17.4	64,950	\$0

Impact of Electrical End Use Efficiency Programs for the Alaskan Railbelt

Year	Peak Demand Reduction, MW	Equivalent Generation Capacity, MW	Energy Savings MWh	Program Budgetary Cost Nominal \$
2024	11.0	14.3	53,970	\$0
2025	8.6	11.2	42,460	\$0
2026	6.4	8.3	32,110	\$0
2027	4.6	6.0	22,960	\$0
2028	2.6	3.4	13,320	\$0
2029	1.5	1.9	7,900	\$0
2030	0.8	1.0	4,400	\$0
2031	0.6	0.8	3,200	\$0
2032	0.4	0.5	2,200	\$0
2033	0.2	0.3	1,100	\$0
2034	0.2	0.3	900	\$0
2035	0.1	0.1	700	\$0
2036	0.1	0.1	500	\$0
2037	0.1	0.1	400	\$0
2038	0.0	0.0	300	\$0
2039	0.0	0.0	100	\$0
2040	0.0	0.0	0	\$0



March 18, 1991

House Committee on Community and Regional Affairs
c/o Representative Jerry Mackie, Chair
Alaska State Legislature
P.O. Box V
Juneau, AK 99811-1800

To the Members of the Committee:

I write on behalf of the League of Women Voters of Alaska to express our support of House Bill 121. The League favors energy conservation as an energy source above all others, and supports government policies to minimize the need for new generating capacity through techniques such as marginal cost and demand management programs.

The state of Alaska has a history of spending a great deal of money on inefficient power projects that in their initial design did not incorporate energy conservation strategies, even though energy conservation investments often have a higher cost-benefit ratio. Now is the time to change that pattern by requiring large utilities to develop integrated resource plans, and by making state funding of energy projects contingent on their inclusion of applicable cost-effective energy efficiency and energy conservation strategies.

The League encourages the members of the Committee on Community and Regional Affairs to support HB 121. We are pleased to see the Legislature take positive action to direct Alaska's limited public funds towards responsible, cost-effective energy use.

Thank you for considering these comments.

Sincerely,

A handwritten signature in cursive script that reads "Karen Wood".

Karen Wood
Natural Resources Director
1237 W. 11th Ave
Anchorage, AK 99501

cc: Representative Kay Brown

163485

Gary Newman
1083 Esro Road
Fairbanks, AK. 99712
907-488-2001

April 16, 1991

All Members Finance Committee
Alaska House of Representatives
Pouch V
Juneau, AK. 99811

Re: CS for House Bill 121 (Labor and Commerce)

Dear Finance Committee Members,

I have been involved in utility issues for some time, some of which has been at the regulatory end. The impact HB121 would have is very positive.

Electrical utility investments are, by nature, capital intensive and quite costly. They impact the consumers and others for decades. It is important to insure appropriate investments. When the funding agency is the State of Alaska on behalf of its citizens, there is an even more compelling reason to require cost effective expenditure of state funds.

The utility look at meeting needs has typically been to provide additional capacity through supply side projects, e.g. more power plants. In the past decade, utilities throughout the country have been implementing "least cost planning", which is a complete look at how to meet their needs, through either supply or demand side options. This has evolved into what is called an "integrated resource plan". I believe most states have now implemented the requirement for integrated resource plans.

While the larger Alaskan utilities are now starting the process of using an integrated resource plan for analyzing needs, it is important for the regulatory body, the Alaska Public Utilities Commission, to have a statutory basis for guidance. It is also important and fair to the utilities that standards be established for what should be included by each utility in the planning process.

The success that application of the integrated resource plan has had with Lower 48 utilities has resulted in lower rates for consumers, reduced negative impact on the environment and more efficient utilities. The inclusion of environmental costs in the integrated resource plan (and in HB121) has allowed for consideration of long term costs that normally fall upon government to mitigate and pay for. For this reason, I believe the fiscal note should be a negative cost to the state.


Thank you for taking the time to read this letter and for your consideration of the issue.

Sincerely,



CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

April 9, 1991

TO: Joe Griffith, Executive Manager, Finance & Planning
FROM: Thomas A. Lovas, Manager, Planning & Rates 
SUBJECT: *H.B. 121 - Integrated Resource Plans*

Per your request, the following are some proposed questions to be posed with regard to the suggested integrated resource planning legislation:

- 1) The APUC has suggested that the Commission not be designated as a participant in the development of the utility submittals since it has approval oversight. Yet, the legislation clearly designates the Energy Authority as a consultant to the APUC in developing regulations and for plan development and, in fact, approval. How is the conflict resolved for AEA? AEA, which is denied the opportunity to fund, acquire, or construct facilities until an appropriate plan is approved, would be responsible for assisting in the approval. Wouldn't this require yet another, independent agency?
- 2) If an independent agency is required to avoid the potential conflicts, how will this be funded? Through utility rates? If so, wouldn't the fundamental premise of the legislation (i.e., lowest cost) be violated?
- 3) The APUC has recommended that it not assist in development of the plans, but rather develop guidance as it reviews submittals. Wouldn't the utilities thus be jeopardized on any submission with after-the-fact requirements? Isn't circularity a result? Wouldn't the new agency be required to correct this, and what would be its cost of operation?
- 4) The legislation requires that projects funded, acquired, or constructed by state agencies must be consistent with approved plans. What is meant by consistent? Who determines "consistency"? The courts? Is another agency required to inspect monitor the work of the utilities?
- 5) What is "commodity displacement" as used in AS 42.05.292, (3)?
- 6) "Environmental costs" are undefined, yet a required to be included in the cost estimates of development options. Where are such costs to be defined? Does DEC

get into the act? Who picks up those agency costs?

- 7) The APUC recommendation that it be given the option of rejecting a utility's plan or approving a modified plan introduces a whole new realm of responsibility to the APUC. Are the utilities then no longer responsible for their systems? Isn't the state then picking up the responsibility of the utility obligation to serve and all liabilities therein, including monetary liability? How is this consistent with market efficiency enhancement?
- 8) The APUC contends that a single agency review is required to ensure compatibility between utilities. That is unlikely to be possible when multiple agencies are involved in criteria, evaluation, and the like. How does this square with the administrations goal of streamlining? Does this mean a new agency with representatives of each area? What would that cost?
- 9) The utilities already have joint efforts to ensure compatibility of their planning, such as the ASCC and its planning criteria. Wouldn't additional coordination efforts, particularly by non-utilities, simply compound planning efforts and therefore costs?

Please let me know if additional questions are required.

1970.TAL/ts

cc: Dan Bloomer
Rick Freymiller
Mark Fouts
Tim Newton
File: IRP, RF



Box 2876
Soldotna, Alaska 99669

#2

**RESOLUTION RELATING TO STATE INVESTMENT IN ELECTRICAL
PROJECTS**

LEAGUE OF WOMEN VOTERS OF ALASKA

WHEREAS, the League of Women Voters of Alaska favors energy conservation as an energy source above all others; and

WHEREAS, the State of Alaska invests in electrical utility projects in an effort to provide affordable electricity to its citizens; and

WHEREAS, there are many methods for providing electricity to its citizens, including both supply and demand options, which when considered together are known as "least cost planning;" and

WHEREAS, the currently accepted practice for utilities in the United States and elsewhere for evaluating electrical needs is by applying "least cost planning" principles; and

WHEREAS, many states are now including full costing of projects, including environmental externalities; and

WHEREAS, the State of Alaska does not have unlimited funds or unlimited resources;

THEREFORE BE IT RESOLVED that the State of Alaska utilize the "least cost method" for investments of state funds in specific electrical utility projects to maximize the greatest benefits for dollar invested; and that the evaluation include all known costs, including environmental costs.

BE IT FURTHER RESOLVED THAT the League of Women Voters of Alaska meeting in Convention in Anchorage on April 21, 1991, urges the Alaska legislature to pass H.B. 121.

PLEASE MICROFILM TOP PAGE ONLY

DOCUMENTS WHICH HAVE NOT BEEN
FILMED BUT ARE AVAILABLE IN THE
ORIGINAL FILE INCLUDE:

→ Legislative Research Agency Report
Benefit-cost comparison of eight
Railbelt Energy Projects Request 91.025
→ news clippings