

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2496 SCOMM 109: JNT. COMM. ELEC. UTILITY RESTRUCTURING, 1998



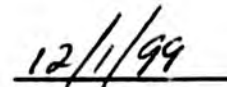
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SCOMM 109: JOINT COMMITTEE ON ELECTRIC UTILITY
RESTRUCTURING, 1998

MEMBERS:

REPRESENTATIVE NORMAN ROKEBERG, CO-CHAIR
REPRESENTATIVE ALAN AUSTERMAN
REPRESENTATIVE JOHN DAVIES
REPRESENTATIVE FRED DYSON
SENATOR BERT SHARP, CO-CHAIR
SENATOR AL ADAMS
SENATOR LOREN LEMAN
SENATOR ROBIN TAYLOR

Established by House Resolve No. 70, 1998 (HCR 34).

Contents: 8 files. 14 cassettes are also available of meetings
held 8/6/98 - 1/18/99.

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6. 1/6/99 MEETING
7. 1/18/99 MEETING
8. FINAL REPORT, 1/19/99

SCOMM

109:1

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
August 6, 1998
10:15 a.m.

COMMITTEE CALENDAR

ELECTRIC UTILITY RESTRUCTURING, TESTIMONY BY INVITATION ONLY

TAPE(S)

98-1, SIDES A & B
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NOTE: These minutes were prepared by Co-Chairman Rokeberg's staff.

CALL TO ORDER

Representative Norman Rokeberg, Co-Chairman, convened the Joint Committee on Electric Utility Restructuring meeting at 10:15 a.m.

PRESENT

Committee members present at the call to order were Representatives Rokeberg, Dyson and Davies; Senators Sharp and Leman. Representative Austerman arrived as the meeting was in progress (4:10 p.m.).

Also attending:

Dwight Ornquist, Commissioner, APUC; Lisa Ross, Birch-Horton; Bob Lohr, Executive Director, APUC; Mary Ann Pease, Aurora Power; Bob Price, ML&P; Ray Kreig, Chugach Electric; Hart Hodges, Phil Steyer, Chugach Electric; Henry Lang, Lang Consulting; Donn Wonnell, ML&P; Jim Patras, Dan Helmick, ML&P; John Rogers, Lori Kell, ML&P; Norman Story, Homer Electric Association; Eric Yould, ARECA; Gene Bjornstad, Chugach Electric; Donald Edwards, Chugach Electric; Robert Hanson, Golden Valley; Jean von Dohrmann, Legislative Consultants, Inc.; Mike Kelly, Golden Valley; Arthur Miller, Jerry Delson, Applied Analytics Associates; Mr. Parker, ML&P; Meera Kohler, ML&P; Bob Reagan, ML&P; Anne Hays, IBEW; Bruce Ferguson, AFSC/SFS; Robert Wilkinson, Copper Valley; Marilyn Semro, ML&P; Debbie Reinwand, Bradley Reid; Mary Fisher, ARECA; Patricia Harper.

SUMMARY OF INFORMATION

OPENING REMARKS:

CO-CHAIR ROKEBERG: Called roll, do have a quorum to conduct business. Thanked everyone for being in attendance. This is a major and extraordinary issue that is facing our state, this particular committee was put together by resolution of the last legislature to make recommendations for the Twenty-First Alaska State Legislature which I believe convenes on January 19, 1999. Alaska is unique in that we are not connected to a national electric grid. We are not unique in our desire for competitive utility services and lowering the consumers' utility and electric power bills as well as all other utilities. Many major issues are facing this committee today. We'll complete this job as expeditiously as possible. Not a simple issue as we all know. The One Hundred and Fifth Congress will not be taking any action on electrical restructuring on a nation wide basis during this particular year. Alaska like many other states needs to deal with this issue and "we" will do that. Main questions to be brought forward to the committee and one of the major purposes of this committee meeting today is to inform the committee members and bring to the attention of the people of the State of Alaska the key central issues on this particular topic. I am concerned about this particular issue as ending up as a "zero sum" game, with losers and winners, we need to be careful of this. Billions of public money has been put into this and as much as 95% of the retail electrical distribution in this state is consumer owned and not investor owned. Is concerned about one large utility comes in and "cherry picks" customers and leaves other utilities with only residential and lower rate paying base. We need to follow the lead of other states for example: Vermont, Maine, California and Michigan in adopting the consumer electric rights "bill of rights" to protect the individual consumers here if and when electrical restructuring takes place here. Legislature needs to set the policy and the APUC is the regulator of that policy. Needs to formulate the policy guidelines within any new statute that we bring forward.

CO-CHAIR SHARP: I would just like to add to what you said; my desire is also to make sure that the electric customers in the State of Alaska get the most economical source of power and the most reliable source of power. That combination is what we want to seek out. We have operated over the years with specific service areas drafted by the APUC. This may be challenged severely by allowing transfer or competition within those given service areas. We need to search out where there have been successes in the Lower 48 concerning this exact situation; it has been very difficult to find any successes yet. There is a lot of movement going on with mergers and jockeying for position. The actual results are yet to materialize. I'll be interested in getting that information and to

see where customers have benefited. Would like to see surplus power made available at the most economical rates possible on the wholesale level to "work" competition. With that, I am ready to listen.

EUGENE BJORNSTAD, General Manager, Chugach Electric, see written testimony in committee file.

ERIC YOULD, Executive Director, ARECA, see written testimony in committee file.

DWIGHT ORNQUIST, Commissioner Alaska Public Utilities Commission, BOB LOHR Executive Director Alaska Public Utilities Commission, COMMISSIONER ORNQUIST spoke for Alaska Public Utilities Commission. No written testimony submitted. Overview: Speaking off the cuff; not necessarily APUC's goal to have competition but to provide good services, make sure prices are low and efficiencies are high for the people of Alaska. APUC historically has needed prodding in the direction of competition. The state legislature prompted APUC's involvement in telecommunications industry and has had federal prodding into telecommunications. The concerns that consumers had in telecommunications industry deregulation are the same for the electrical industry: prices going up for individual and small customers, cherry picking. Actually, prices have gone down because of competition. Does not feel that competition or regulation is panacea for the utility industry. When you have a monopoly you have need for the APUC as a moderator/regulator for this monopoly. Buying and selling electricity lends itself to competition not monopoly, but APUC still needed to oversee that competition is fair and customer is protected. APUC docket is open on electric industry restructuring. Commissioner Ornquist is Docket Manager and has contacted utility companies to begin moving forward. APUC has a plan to do a third party study; APUC would fund this study, but is not sure how long it will take to complete. The selection process to choose a company to complete this study could take 90 to 120 days. This study would help to figure out what works and what does not. Or another alternative that APUC is leaning towards is a symposium of sorts, with legislative, regulatory, and industry officials and participants, to bring up experts in the field, get all the information, balance out information, see how it applies to Alaska, weigh pros and cons, make a plan and implement. APUC views themselves as a creature of the legislature, legislature gives APUC direction in their statutes. Implements Legislative instructions. APUC wants to be legislative resource; APUC wants to make sure the legislature's direction that has been established is the direction that we are moving.

MEERA KOHLER, General Manager, Municipal Light and Power, DONN

WONNELL, Attorney/Municipal Light and Power, DONN WONNELL spoke for Municipal Light and Power, see written testimony in committee file.

BRUCE SCOTT, Consumer Relations, Matanuska Electric Association, see written testimony in committee file.

MIKE KELLY, President and Chief Executive Officer, Golden Valley Electric Association, see written testimony in committee file.

MARY ANN PEASE, Vice President, Aurora Power, see written testimony in committee file.

GARY BROOKS, Business Manager, IBEW, no written testimony. Overview: Appreciates the opportunity to be here. IBEW is going on record as opposing the radical restructure of electrical utility business in our state and on behalf of over 1,000 IBEW represented families who earn their living in the utility business in this state and over 5,000 members that we represent in Alaska, we ask this committee and our legislature to thoroughly and deliberately entertain the subject before you. We see very little evidence that the residential consumer in the Lower 48 where restructuring has been attempted, have enjoyed any reductions in cost or savings. IBEW has seen evidence that their rates are going up. If the small consumer has to subsidize the large consumers cost savings, we think there is something fundamentally wrong in that. Please carefully consider this issue. Brought up problems in the airline industry that has been brought about since deregulation. Expensive to fly from remote area in Alaska (Rep. Dyson "Juneau"), (laughter,) yes it costs less to fly from here to Seattle, I can get there far cheaper than I can get to our state capital. Reliability in remote areas is a concern if industry is deregulated. Brought up problems that happened in California after deregulation of utility. Safety for consumer and workers if utility is deregulated is another concern.

ROBERT WILKINSON, Four-Dam Pool, spoke for Four-Dam Pool, see written testimony in committee file.

Committee Discussion - Round Table
See attachment.

ADJOURNMENT

CO-CHAIR ROKEBERG adjourned the meeting at 4:27 p.m.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

The meeting adjourned at 4:27 p.m.

NOTE:

The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at 130 Seward Street, Suite 211, Juneau, Alaska 99801-1182, (907) 465-2214, and after adjournment of the second session of the Twentieth Alaska State Legislature, in the Legislative Reference Library.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
ROUND TABLE DISCUSSION
AUGUST 6, 1998

NOTE: THIS PORTION OF THE MEETING WAS TRANSCRIBED VERBATIM

CO-CHAIRMAN NORMAN ROKEBERG: I'd like to reconvene the Joint Committee on Electrical Utility Restructuring. And appreciate the folks here at the table, also for the committee members if there's anybody else in the audience you want to direct a question to please feel free to do so. With that who would like to start the questioning? Representative Dyson.

REPRESENTATIVE FRED DYSON: Thank you Mr. Chairman, I had a question of Mary Ann that I forgot at when you were on deck there before. You mentioned changes in technology that were going to change the way things happen? What besides remote metering and sophisticated metering do you see will impact things in the next 30 years?

MARY ANN PEASE, AURORA POWER: Well I do believe it's going be an impact on fuel sales, I think there will be smaller generators that will come on line with business, such as, the universities or....

REPRESENTATIVE DYSON: In the five to ten year time frame?

MS. PEASE: Yes I do.

REPRESENTATIVE DYSON: Thank you.

CO-CHAIRMAN ROKEBERG: That was Mary Ann Pease from Aurora Power, for the record. Please remember that, I hate to do this, but it makes it a lot easier and we get the minutes faster.

Representative Dyson, are you finished?

REPRESENTATIVE DYSON: Yes.

CHAIRMAN ROKEBERG: Who's next? Senator Leman.

SENATOR LOREN LEMAN: For Mr. Bjornstad. Gene, in our discussion today, has I guess, I expect most of the others although in favor of competition as a word in favor of the fairly aggressive action at the retail level, but then there was (indisc.) that talks about competition at the wholesale level. That I would guess would impact your utility the most in Alaska is that something you are prepared to embrace I guess the (indisc.) and participate in and you know, has that lease space (indisc.) you know some of that line you know wholesale and then pilot work and then retail as a first step to enacting something that I think would be in the best interest of Alaskans in the long run.

GENE BJORNSTAD, CHUGACH ELECTRIC: Well, first of all our view is the wholesale competition has been going on for a number of years. Chugach believes that the wholesale contracts that we have with our wholesale customers were achieved through competition. We have a competition or we had a competition just in the last year or so with ML& P over Seward and whether or not we could serve them. But I think the issue here is particularly from Matanuska's point of view is that somehow or another we already have the wholesale contract that we got with Matanuska set aside in some manner. There is a comment that was made that they are captive and they can't do anything about their power supplier. I think on the contrary if you look at the Matanuska AEG&G contract there is a couple of provisions in there that allow them number 1) change to a net requirements customer; number 2) to change to a partial requirements customer. Now contracts were made in 1989, five years later we have ML & P going off to MEA offering to lower their rates. And one of the suggestions that the General Manager and their kind made to MEA was to let Chugach know, give Chugach notice that they wanted to get out of the contract or change it. We haven't received that notice. Just recently, I informed the General Manager at Matanuska that they would like to discuss buying out their contract, we're more than happy to discuss it. But we don't think the legislature nor the PUC has the power to set aside these contracts. They are legally binding, they are approved by the governing boards, they were approved by the PUC, they were approved by the REA and we've got documentation that at the time Matanuska was very happy with that contract. But in the interest of competition, if we, if they in fact want to discuss changing or getting out of the contract we are more than willing to talk about it.

CO-CHAIRMAN ROKEBERG: Does MEA want to respond to that?

UNIDENTIFIED SPEAKER: Well, I would....

CO-CHAIRMAN ROKEBERG: We're not here to humiliate or....

UNIDENTIFIED SPEAKER: You want to get it out of there....

CO-CHAIRMAN ROKEBERG: Right, their (indisc.)....

BRUCE SCOTT, MATANUSKA ELECTRIC ASSOCIATION: And you're correct - Mr. Bjornstad is correct in saying at the time we were happy to have a contract when we signed it because the circumstances were that Chugach Electric has conveyed to MEA that we're going to sell you X megawatts of power and if you need more than you're on your own just find it somewhere anywhere. The language is a lot more flowery, we were under the gun to assign some sort of contract as quickly as possible. We do have options to get out of the contract too I believe, but the contracts or the options that Mr. Bjornstad has identified are such that would cap our purchase at the highest level that we have had (indisc.) in the past. So that yeah, we can go ahead and we agree to buy 100 megawatts of power to use a number that is not too far of the mark from Chugach and anything over and above that, that we need we can get freely compete for, you know, open market. So it's not that much flexibility, I'm not sure that we're not willing to discuss at some point of revising the contract, in fact, you know we have talked at revamping various...but, it really isn't it, it really isn't accurate to say that Chugach has (indisc.) the contract. We didn't have a whole lot of choices at the time; we have an existing contract. It wasn't just going to be wiped out; it was going to be capped. There weren't a lot of other suppliers around, frankly vying to provide MEA with power. There was no Aurora Gas, or lower electricity or whatever you want to call it. There was ML&P and there was Chugach. Frankly at the time, Chugach was the one to supplying us the power. Given a different economic climate would be assigned the contracts I could put on my Johnny Carson hat and try and do some sort of searing (ph) scene, but there is no way to know.

CO-CHAIRMAN ROKEBERG: Senator Leman.

SENATOR LEMAN: I guess by asking that question, I got into something I hadn't anticipated on and wasn't even aware of, of the details of all those challenges, but, it's nice to know. I will just say that from time to time when the legislature has proposed some things it seems like opposition has come out from those who are concerned about their contracts and things like that and

sometimes the legislature has specifically gone in and said look you know for changing from this to this you know the contracts go with it. You know whether it's the privatization of some state service or something like that because then it seems like those who get business from it or have that contract want to maintain that status quo. So I wouldn't anticipate that anything we did would void any existing contracts. I mean that would have to be done in a court of law if or by some other commercial activity. I wouldn't anticipate the legislature would do that. I certainly wouldn't support that.

CO-CHAIRMAN ROKEBERG: There have been requests from the Speaker Phillips' office that Mr. Story-Norman did you want to make any comments or is she just worried that you got a shot at the to make any comments today.

NORMAN STORY, HOMER ELECTRIC: Mr. Chairman, would you like me to make one now relevant to this subject. It might be the most important.

CO-CHAIRMAN ROKEBERG: Sure if you want to come on up and join us we would be happy to have you at the table anyway. You might point out to the Speaker; he was trying to (indisc.--other people talking at the same time). Tried not to testify, so....

NORMAN STORY: Well, we thought it was by invitation only today, so my name is Norman Story, I am General Manager of Homer Electric: And just on the subject of the contracts we have good relationship with Chugach Electric today. Our concern relative to the issue of competition, we spoke before about leveling the playing field, is that we have to have the ability to have flexibility. We cannot compete in our service territory if we are held to contracts that do not allow us flexibility to achieve different cost structures of, especially if the organization that is competing with us are the organizations that have a private contract. And that's probably the worst condition that we can perceive. For example, we have Tesoro, it is one example; we do business with Phillips and large consumers if someone and especially if it was Chugach came down and attempted to take those consumers our contract with Chugach anticipates the growth and the structure of consumers that we have. We have a pay contract so our contract anticipated the continued growth to bring a (indisc.) scale to the balance of our (indisc.) so that's where we would have a difficulty with the issue on contracts as it stands today in terms of open competition and about understanding that effect. It basically would be unfair to create an unfair market place for us. I appreciate the opportunity to speak.

CO-CHAIRMAN ROKEBERG: Certainly, Mr. Yould.

ERIC YOULD, ARECA: Mr. Chairman, along the same lines have to do with the contracts that has been voiced by primarily the two uh retailers of power, MEA and HEA. And that is that if competition were limited to the Anchorage area primarily between ML&P and Chugach Electric it is entirely possible that even though Chugach is the one that's pushing so hard for the competition and perhaps rightfully so, it is hard to say, that Chugach would actually get its butt whipped. And Chugach would actually see the cost of its power go up because 'ML & P has natural gas fields that would make them more competitive. Well maybe that's okay, but the problem is you have two wholesale contractors, HEA & MEA, that are tied to that same contract with Chugach whose destiny is going to be tied to what Chugach does. So it's not just an issue between ML&P and Chugach, but there are really four people in that dogfight.

CO-CHAIRMAN ROKEBERG: Thank you, Mr. Yould. It is clear to the committee that we are not talking about mainly fair competition here; we're talking about restructuring.

UNIDENTIFIED SPEAKER: True enough.

CO-CHAIRMAN ROKEBERG: Senator Leman do you want to continue?

SENATOR LEMAN: Not right now.

CHAIRMAN ROKEBERG: Senator Sharp.

CO-CHAIRMAN BERT SHARP: I guess the part that uh,....

CO-CHAIRMAN ROKEBERG: Norman, you can join us anyway.

CO-CHAIRMAN SHARP: One of the things that, that tickle my imagination is the fair and just pricing out of the unbundled services. I agree that cost of service studies are a normal thing that's done. But they are not usually done every year and as growth happens or the lack of growth cost of running those particularly unbundled services go up and down and I'm just curious to know and plus the fact that a lot of lines and generators are built in anticipation of growth by the utility that is equipped to do this. And if the growth doesn't occur, then that utility has some problems, based on the economics of the investment that they have made and I guess it would progress here I would be interested to know how they would propose to price out the cost of service for transmission and/or distribution and meter reading and customer service and so forth. Would it be based on a public capacity of that transmission line or is going to be based on the average cost

per unit as of a given date and time and a cost for service for these guys, and if so, is that cost of service study have to be updated annually to come up with new average cost for those services and if so who is going to pay for that. Because cost of services are not cheap. To do the studies of cost of service, I mean. Should the regular customers not benefiting from that be forced to pay for those cost of service studies or should they be rolled into the cost of the unbundled service that's being charged to the bulk of all providers as they incur along the line. Those type of things we will get into later I'm sure Mr. Chairman, the technicalities of how you fair (indisc.) interest and seeing how this comes down. And I guess it's not anybody buy anybody....

CO-CHAIRMAN ROKEBERG: I think anybody else didn't really wanted to comment. We'll start with Mr. Bjornstad and then Ms. Pease and then anybody else....

MR. BJORNSTAD: The topic of unbundling, I think needs to be understood in a couple of different ways. There's one way to look at it and that is unbundling your financial records so as Senator Sharp suggests you can account for the costs of the different parts of your business. This isn't a topic that has just come up in the last couple of weeks. Those of you who have followed the industry for a couple of years this is a topic that people have been suggesting that a utility does. Chugach has embarked on this over a year and half ago and we have in fact segregated our financial accounts into generation transmission distribution services and retail services. It's all that we can project what it is that's going to cost somebody for a kilowatt of electricity. Now, there is another way of looking at it, talking about unbundling and separating the entire parts of the business into individual entities. That again is a different way to look at that unbundling. I don't know if that is what you had in mind but we don't think that it is that expensive now that we have done it, you have to set up your accounting system, it takes a lot of work and it takes a lot of people internally to set it up and then you have to train your workers and your work force to put the time in the right boxes and so forth and what investment you make in it, obviously you are going to change those indicators or those allocators over time. I guess I would propose that you could probably update these figures probably every couple of years. It would be something we would submit to the commission for approval and then anybody who uses our transmission system would pay the same price, as we would charge ourselves. The same thing with the distribution system. I think that is the way you'd do it.

CO-CHAIRMAN ROKEBERG: Ms. Pease.

MS. PEASE: Just expanding briefly on what Mr. Bjornstad has said; for example ML&P has about 24 miles of transmission line and approximately 350 miles of distribution line. That does not change substantially once you get a good base to work from which I think already exists. The amount of new transmission lines that is being added is negligible over the next few years. And the amount of new distribution line again is not that great. If there is a major change in the system distribution of transmission systems that the cost of study would have to be redone and those numbers recalculated. So I don't see that there is that big of an issue, and again, once you get the (indisc.) in place to update every two or three years should be sufficient.

CHAIRMAN ROKEBERG: Mr. Wonnell.

DONN WONNELL, ML&P: I think actually Senator Sharp is onto a very good problem. The Telecommunications Act by with an analogy was passed in February of 1996; court issues about pricing are now finally before the Supreme Court of the United States and are unresolved at this time. Accounting systems account for cost investment expense. That sort of thing. What they don't do traditionally is allocate the services. Particularly when the services aren't (indisc.) unbundled. When the existing mechanisms do not actually impress the question of how shall we price the particular service, when we have never provided before, and how shall it be collected. The question of identification of cost particularly what a (indisc.--coughing) joint common cost. The allocation of those costs is extremely important. It would be a natural inclination for any entity which has a choice to allocate cost where a consumer respond is least elastic where consumers have to pay for it. I conclude now, as consumers are potential users of the transmission system. There is a second problem in that cost allocated towards or away from, for example, generational impacts stranded. Stranded investment becomes quickly other peoples money and may prove to be a managerial adept approach to try and blow up generator costs for recovering from a third source if you can improve your competitive decision elsewhere in the market place. So it is not simply a matter of reforming an accounting system, I have no doubt that Chugach Electric has done so in good faith, it's a restructuring industry with the owners of all segments, the generation transmission, and distribution for recovering a reasonable profit or at least have a reasonable opportunity to recover a reasonable profit which is what the law requires. And none the less to prevent costs which are competitively neutral in due market competition to occur, as a result of this entire thing is not simply an activity. Telecom is proving that. And I think you will find similar levels of detail allocation problems in the electric (indisc.). This is something that you ought to consider

and I think that the Senator is quite correct.

MR. SCOTT: Senator Sharp also addresses quite pointedly the question that came up with fairly. How do you fairly cover these costs? Chugach Electric Association proposed to serve some of ML&P's customers and said Chugach will pay X amount to ship the electricity along ML&P's lines and we have determined this is the fair value, and that's what they we are going to pay. The ML&P I understand disagreed with that assessment. But the APUC in order 97 297-201 rejected Chugach's attempt to serve ML&P's customers and of course now, we have another proposal before the Commission from yet another group. But identifying the cost further what I'm trying to tell you what the costs are for Chugach to ship us power, I'm going to weigh this as much as I can on our side; I mean this is the natural inclination, of course, I personally would never do that because I am an honest and forthright businessman, but, the inclination industry wide is going to be for whatever business is doing the evaluation to try and shave the numbers, if you will, to benefit them as much as possible. So it's not going to be an easy matter to determine exactly what is the cost is to the consumer and what portion of that.

CO-CHAIRMAN ROKEBERG: I have a follow up for this if you have a....

UNIDENTIFIED SPEAKER: No, go ahead.

CO-CHAIRMAN ROKEBERG: I would like to direct this follow up to Mr. Ornquist. I think this issue is central to our charge; if we agree to recommend whether the legislature should take this up then I think it's our duty in terms of policy setting to give the APUC enough, as much direction as possible. Keeping it as simple as possible, but to avoid the complexities of the issue to give you some directions so you don't have to make the decisions in ord... -- and also to avoid as much litigation as might be generated from it. In so doing you think it would be appropriate for the legislature to at least make a broad brush policy statement as to which stranded embedded cost, how this is to be done, the level of burden and what could be put into a ultimate formula a narrative type forum statutorily to give you direction, do you think that would be a good idea.

DWIGHT ORNQUIST, PUBLIC UTILITIES COMMISSION: I think it would be good for the legislature to give us a very broad directive, something on the order of take care of stranded costs appropriately. The reason I say that is because we will be running into issues that we haven't considered and as slow as the APUC is to deal with things and change if we, if a mistake is made

somewhere along the line it is even more difficult generally to address that legislatively. The legislative level should give us good long distance targets and we should try to find the best method of attaining the target that the legislature has set. The complexity, the actual complexity of unbundling and determining what is and isn't stranded investment. That will be determined a lot by the form of the new structure if we do restructure. Which we haven't even determined yet, we are still at the stage of saying should we do anything and if so what would happen. Any direction from the legislature at this point especially I think should not be too detailed, but if more detail needs to be added in then add it in later.

CO-CHAIRMAN ROKEBERG: Then Mr. Ornquist how long is it going to take the APUC to define what stranded costs are? About three years?

MR. ORNQUIST: I don't think so. I recently have become the Chairman on the National Association of Regulatory Utility Commissions Finance and Technology Committee and one of the things I have asked for at this last meeting we had was to come up with a good definition of stranded investment that would also reflect our situation up here in Alaska. I would imagine that the study that we are talking about once we begin the process to coming out with the full study should probably take a couple of two or three months and we should have the information. Probably one of the biggest helps that we could receive is in the area of prioritizing if the legislature were to say we want to see you address this quickly then that would speed up our processing a lot. Right now we find ourselves dealing with a lot of different issues with a lot of different industries and sometimes the important stuff gets put off a little bit, because the urgent stuff is right in front of us and the burning issues are right there on the day to day basis. So we do try to follow direction well. If the legislature said hurry up, I'm sure we would respond well to that.

CO-CHAIRMAN ROKEBERG: I suppose my concern is that with too broad a brush then if you make decisions that that would invite litigation. Is that, I guess there's got to be a balance there somewhere. Mr. Bjornstad, go ahead.

MR. BJORNSTAD: I think you are going to hear in about a week or two I guess a couple of weeks is your meeting on the 18th you're going to have I think ARECA has hired an expert to come up and talk about this situation up here. One of the things he talked about in his book is stranded investment, I mean he classifies them in three areas, generation, contracts, long term wholesale contracts and fuel contracts and regulatory assets. I would submit to you there

is probably some of all those three in this area up here. I think you probably can talk to that person when he gets here.

CO-CHAIRMAN ROKEBERG: Any further questions along those lines. Representative Davies, do you have a question?

REPRESENTATIVE JOHN DAVIES: Just need to comment on the last discussion a little bit. I think in the issue of broad vs. narrow that it's generally better for the legislature to stick to the broad side and in respect to these kinds of issues I believe that they will be, if they need to be litigated they will be litigated in any case, no matter how detailed we try to make our instructions. So I'm always inclined to set broad policy and let the experts follow in the details. Although I have some detailed questions. My concerns are generally along the lines of reliability things like spinning reserve, how, when you have you have a wide open free wheeling market place how do you fairly allocate the costs for making sure that there is redundancy making sure there is the ability to respond and to respond quickly. In our situation when it is 50 below do you allow the possibility for a supplier to just walk away, what are the contractual penalties for that, what are the legal ramifications you know, it can become the provision of electricity in our market can be a life and death issue. And that, those are the kinds of concerns I bring to the discussion, I'd like to hear some discussion about how we can assure our customers if we are to go into a more competitive environment that those kinds of concerns would be dealt with.

CO-CHAIRMAN ROKEBERG: Bruce Scott.

MR. SCOTT: It's, I don't know how many of you have been following the news in the Lower 48 on the weather patterns down there. There is a huge heat wave going on there. They have been running low on electricity and particularly in areas where they have had more competition if you will in areas they have previously and they have been able to come up with the electricity that they have needed, unfortunately the price has gone through the roof. I've heard of people paying phenomenal costs for megawatt hour of electricity, I don't know \$7,000 per megawatt hour of electricity. What's an average cost? (Indisc.--people talking at once) I mean you are providing it so the question for them becomes well yeah sure you can provide it, but at what cost? What guarantees do you have that there is not going to be some sort of gouging or you know market base gouging or (indisc.--garbled) after the fact? I don't know how you do that, if somebody is marketing electricity and trying to make a profit off of it, they are more inclined to be selling electricity and making a profit then they are trying to figure out how to keep the customer on line all of the time. That 's not

their priority. Our priority at MEA is not to sell the electricity to make money, I mean that's important for us to do that or we would be out of business, but our first priority is to keep the lights on. If the lights aren't on, we don't have any customers. We don't send to any cells, we are just out of business. If somebody else doesn't keep the lights on, well yeah they are losing some money, but later on when the lights come back on someone else fixes the problem and they can go ahead and make some more money on the deal. So when you have that kind of area of competition, I don't think you have the commitment that you have in the case where it is a member owned cooperative, or even a municipal cooperative, where the voters, the members are depending on you to keep them from shivering when it is 50 degrees below zero. I don't know how you provide for backup in a competitive market place other than to say well they are my customers when I'm making a dollar, when I'm not making a dollar because the temperature dropped too far they're your customers.

REPRESENTATIVE DAVIES: My concern is to him, there might not be somebody over there to hand it to (this is John Davies again) (indisc.--people talking), get some more people on this issue.

CO-CHAIRMAN ROKEBERG: Ms. Pease.

MS. PEASE: The ancillary services that go along with the distribution of generation of power will be purchased just as they are today. The systems reliability should not change one iota. We supply natural gas to over 700 customers and never has one of those customers been without heat in the wintertime because of the competitive market place. It just doesn't happen. The same reliability issues that are associated with natural gas would be applied to electricity the same way that exists today. In order to purchase power, any power arrangement has to be done from a telemarketer. A utility affiliate or anybody else for that matter would have to meet stringent qualifications and have same spinning reserves low following ancillary services that are provided today on existing system.

UNIDENTIFIED SPEAKER: Can I follow up on that? How, what is that package number from (indisc.) if you're a reseller you have no spinning reserves so you have to purchase them and they would be contractual requirements of this selling arrangement?

MS. PEASE: Absolutely correct. And if I could follow up on that; in the discussions that I have had with Chugach, every single one of the conversations that we talked about the ability to purchase power from Chugach, it has been a complete package with all the other ancillary services that go along with it. Such as load

following, spinning reserves, the liability issues that we're talking about here.

CO-CHAIRMAN ROKEBERG: Then, Ms. Pease, if you want to draw an analogy to natural gas, you also have to have a spinning reserve equivalent to natural gas too.... You have to have an excess of capacity for high demand.

MS. PEASE: That's correct. High demand in the wintertime.

CO-CHAIRMAN ROKEBERG: Right and it is my understanding that if we don't have to bring new gas on line that we are going to have a shortage of gas in the procurement area in a few years. I mean there is that theory. Right?

MS. PEASE: But that just means that (indisc.) could be brought about by competitive forces, which we're talking about here and reliability of the system. That's like a natural resource....

CO-CHAIRMAN ROKEBERG: So to say, that it hasn't happened to natural gas I won't belabor the point. Mr. Scott.

MR. SCOTT: It is a bit of stretch to compare natural gas to liability, to an electrical liability. I mean how many trees fall over on natural gas lines causing power outages. 90% of the power outages MEA has is because of a tree falling on our lines. Another 5% are caused by squirrels or birds committing hari-kari. This doesn't happen to a gas supplier. And gas is there, it's reliable. Sure in an earthquake you are going to have a problem, so will we, but most of our power outages are caused by other factors. I mean who is going to send a lineman out there; you have to have contracting in place for that. If MEA is sufficiently damaged by having competition, I say it could happen, but if we were, maybe we haven't got the money to have people out there to repair the lines as quickly as before, maybe we don't have them at all. Who's going to do it?

CO-CHAIRMAN ROKEBERG: Mr. Ornquist.

MR. ORNQUIST: Thank you, Mr. Chairman. Regarding these issues, that Representative Davies brought up; first of all we do still have oversight of entry and exit in this industry. That means that a provider cannot just pick up and walk out and not serve anymore. We have certain standards for service and safety that have to be met by all providers. In as far as covering the cost of those issues, and the issues that fall upon the infrastructure let's say, those are currently allocated among all the customers. And they would continue to be allocated among all the customers. The

spinning reserves are paid by all the customers. Keep in mind the end customer is the one that's paying all the bills no matter what. And the idea is to make sure they pay for their share no more, no less, and make it as accurate as possible. We currently do all those things; we just do them with fewer companies and a little different manner right now because of the structure of the organization and the industry.

CO-CHAIRMAN ROKEBERG: Ms. Pease.

MS. PEASE: I would like to comment, who is going to bring up the oversight of the APUC? Mr. Ornquist....

MR. WONNELL: I would like to add one point. Commissioner Ornquist is correct when he talks about public utilities. They do control the entry and exit the utilities and conditions for service, but Aurora has asserted in this application that it is not a public utility, that it does not require the certificate of public (indisc.). If that is true there seems to be a free market could hold one of the most basic principle is free exit. Anytime you want (indisc.) you are not subject to regulations (indisc.) that goes to Mr. Davies question about long term liability, well these people can come and go at will, making again what happens to their company (indisc.).

CO-CHAIRMAN ROKEBERG: Speaks for universal services. Ms. Pease you have a rejoinder.

MS. PEASE: Yes, in response to that statement. The presentation that we did to the Public Utility (indisc.--coughing) the variation came up and Aurora Power even though in the application we said that it wouldn't be necessary to have any sort of a certificate for a public utility that currently exists today because we don't own any generating assets of any kind. We would be more than happy to subject ourselves to some sort of market certification, and that is addressed in the application as well, where the APUC would have to certify anyone entering and exiting the market so that they wouldn't just leave on a whim. That is not our intent by any stretch of the imagination.

CO-CHAIRMAN ROKEBERG: Very good. Question, Representative Davies.

REPRESENTATIVE DAVIES: Can I just follow up and ask another question?

CO-CHAIRMAN ROKEBERG: Sure.

REPRESENTATIVE DAVIES: If in that kind of a circumstance where

you, there was some sort of market certification, what would be the (indisc.--coughing) to just.... I don't know how that mechanism works. Mr. Chair?

CO-CHAIRMAN ROKEBERG: Oh, I'm sorry, Mr. Ornquist.

MR. ORNQUIST: There are two things to consider there, some utilities will be facilities based. I think everybody here represents or works with facilities based electric utilities there except for Ms. Pease. If you are a facilities based utility then that's where a lot of the reliability lies. And facilities include all the infrastructure and then we can go over into the generation side of the (indisc.--coughing) non-facilities based entities probably wouldn't have much impact if they exited easily. Because the facilities would remain there the service would remain there. The generation would be there; they wouldn't notice it, if their bill would come from somebody else, suddenly. But, as far as and if one of those entities wish to exit quickly we probably would say find somebody to supply your customers and everything is okay with the same price and one of the mechanisms we would use for that would be perhaps bonding. They would have to provide a bond of a certain amount to be sure that any cost could be covered. We implemented that technique with some of the telecommunications companies and it seems to work okay.

CO-CHAIRMAN ROKEBERG: Ms. Pease, did you have a comment? Okay, Eric and then Gene.

MR. YOULD: I guess a question for the Commissioner then is why was an entity that was facility based by the name of Alaska Power & Systems so easily allowed to leave the state of Alaska without any kind of a rejoinder by APUC?

MR. ORNQUIST: We have a docket on that and are working on all that right now.

MR. YOULD: And who forced you into that document?

MR. ORNQUIST: Well I'm not really able to discuss a whole lot in it, just like judges and can't talk about open cases but, it was as far as procedurally that was at the, we opened that document at the complaint of a utility and then we addressed it or are addressing.

CO-CHAIRMAN ROKEBERG: Then who is the supplier of last resort in rural area then if there is a failure?

MR. ORNQUIST: The supplier of last resort is probably a separate issue and that is certainly something that does have to be

addressed, and how it's addressed is something that we have more than one option on. Coming up with which option we wish to use would be part of the process. Picking the way right now would not be, a good way to go until the studies are....

CO-CHAIRMAN ROKEBERG: Gene, you had a question.

MR. BJORNSTAD: I guess I don't want to change the direction of this discussion, I just want to make a comment on the figure that's been talked about and what happened in June down in the Lower 48 with the shortage or the high prices on the electricity. I think there is another point of view and I don't claim to know all the details down there, but another point of view at least some people say is that is an indication that the market was working. There was shortage of some supply because of high demand and the price went up, unfortunately it went way up a lot more than people thought it was going to be, but I think if you look at what's happening down in other parts of the world that is a situation of competition. I'm not suggesting \$7,000 a megawatt hour, but I think the other point you'll find is that the cost is probably going to be paid by the investors and not the consumers because I think the regulatory agencies are not going to allow that cost to be passed onto consumers.

CO-CHAIRMAN ROKEBERG: Questions of the committee? Mr. Story?

MR. STORY: Can I just make one comment on that? And in most of our cases, the people who are the investors and the holders of this are the consumers themselves. (Indisc.).

CO-CHAIRMAN ROKEBERG: Representative Davies.

REPRESENTATIVE DAVIES: That's a good segway (ph) into my other question is I noticed that in many of the other states where they passed legislation that there is provision that allows cooperatives to op out, I guess on their own decision making. How would people feel about that kind of provision in the state of Alaska and what will the impact on the development competition here where we have a situation where the calculated 65 percent to 85 percent of the capacity is cooperatively owned?

CO-CHAIRMAN ROKEBERG: Mr. Ornquist.

MR. ORNQUIST: Representative Davies, that would probably cut it off right at about the knees, (laughter) I look around and the bulk of the area where competition would probably show the greatest benefit, I believe was served entirely by municipals and co-op's.

REPRESENTATIVE DAVIES: But, so you're presuming that they would op out.

MR. ORNQUIST: Presuming they would op out correct.

CO-CHAIRMAN ROKEBERG: Good question, Senator Sharp.

CO-CHAIRMAN SHARP: We're talking about X number of load here, so many a kilowatt hours, is this going to be split to different pies by other people coming in and taking some of the kilowatt hours and marketing generations that serve these consumers who already exist on someone else's facilities. I guess what is going to be and we know in all probability that the drivers on this is going to be the very large industrial loads or commercial loads that are privately owned and probably not owned by Alaskans. But who are very concerned about their bottom line, so they can shave a half a million bucks off their power bill they don't care who eats it. So the utility ends up with a half million dollars less in profits to meet their obligations and you multiply this times 10 percent on the pilot project or some other pilot project. Could be larger depending on the type of large accounts individual utilities have. The individual utilities has four accounts that makes up 50 percent of their load it would be disastrous, and what then is the commission going to do to protect the residential account? Utility filing a RID case that says hey we got to raise our rates because we can't make it. But the profit, the savings goes to the other supplier and to the large commercials. I don't see where there's going to be a clamoring to serve the residential users 500 kilowatt hours, 600 kilowatt hours unless the commission forces that onto that was a percentage based on that utilities percentage of residential gas, kilowatt hours and so forth. Still that's a tough sale, and how do you protect the Alaskan resident sitting here twelve months out of the year and doesn't have a bottom line to worry about, worry about stretching a paycheck. It's costing two people, two concerns 1) to the supplier and to the large commercial account that effects his bottom line, we are still the same pie, just being split up a little bit differently.

CO-CHAIRMAN ROKEBERG: Mr. Commissioner, do you want to....

MR. ORNQUIST: Boy there are a number of things there that, first of all, what happens is I -- right now we establish rates. We establish rates for the large consumer; we establish rates for the small consumer. If we have a situation that the large consumer is subsidizing the small consumer where the costs that are required, the cost incurred that are to serve that big consumer are over recovered and the costs for the small consumer are under recovered I don't know of it, because, right now our whole, the whole idea of

regulation is to make sure that those costs are adequately and accurately set. We talk a lot about the big customers being more profitable, we talk a lot about nobody wants the little customers, I'm now so sure that's necessarily the case. Do you make as an organization would you make more money with one customer and selling a million-kilowatt hours or a thousand customers and selling a million-kilowatt hours. A lot of debate that could go around that. If we've been regulating correctly, then it would be the same, because all the costs would be allocated appropriately and they'd be paying what they should be paying for power right now, unfortunately I don't think we're that good. I think that what we find is a the efficiencies that we can drive as a regulator are much like the efficiencies you might find working with your children. And you tell them to do something and watch them and they are doing it and then you go away and maybe they'll do it maybe they won't depends on your kids. I think we've got good utilities in Alaska overall, but then you compare that to the performance that you get when your paying based on performance and your child instead of earning \$5 an hour, you say do this work and when your done I'll give you more, I'll give you a hundred dollars to get this done. They will probably get more done. I suppose I didn't have to use kids, but I'm in the midst of raising kids so that comes to mind pretty fast.

CO-CHAIR SHARP: That's all okay, but would the Commission consider and any of the other utilities consider what some of the other states have done? If you want to be in the competitive retail market you divest yourself of all your generation and it goes into a pool. Everybody gets to buy out of that pool. You want to be competitive, let's get competitive.

MR. ORNQUIST: Thank you, my first cut, my theory at competition includes exactly what will be very similar to what you are saying. First of all the infrastructure should be regulated. I think that is something we don't want duplicated and everybody needs to share the costs. Secondly, you've got the wholesale and the retail pricing and that's something that could be driven by supply and demand. And then you've got generation, generation doesn't necessarily need to be regulated the same, but you have to have standards; service and safety standards. I think those three areas need to be addressed with difference using different structures. So I don't think it's a one size fits all there, I think those separations would be necessary.

CHAIRMAN ROKEBERG: The chair would like to recognize the "rocket man" Representative Alan Austerman from Kodiak. Welcome Alan. Question for the committee. I have - My own purpose, my educating myself and, perhaps some of the members of the committee. Could

someone give a definition of what the current federal and state universal service requirements are? The reason I bring this up is because is that I recall that last summer when I was in Cordova for the ARECA convention, to give a short speech on this, I took a ride out on one of the roads there and there was this three mile underground buried cable to one house, and I'm going who's paying for this. (laughter) There was a demand for the service and there was an extremely expensive installation of underground cable for power and so what is our current status and what are we mandated to do. Mr. Commissioner can you help us.

MR. ORNQUIST: Generally, the way it operates now is if you are in an area and it's in a service area of one of the utilities and you go in and you say you want power, the way most of them work that I'm aware of is you get a certain amount to work with. You get up to say \$3,000 they will put in toward building this line. Anything above that you have to finance or pay for yourself and then when it's done you give it to the utility and it becomes their property. And then a lot of times at that point depending on the agreement they have if anybody hooks up to that you might get some money back for them hooking up. But the utilities generally pay a certain first X amount of dollars and then the person wishing to be attached has to pay beyond that. Now there...

CO-CHAIRMAN ROKEBERG: There are federal requirements.

MR. ORNQUIST: That's with us. That's the state. We actually that's the way most co-ops have set it up and most utilities. It's not actually something we require I don't think.

CO-CHAIRMAN ROKEBERG: My question was what are the state requirements, and the federal requirements of universal service.

MR. ORNQUIST: I don't know of any for electric, we have them for telecom but I don't know of any for electric.

CO-CHAIRMAN ROKEBERG: Can you verify that for the committee?

MR. ORNQUIST: I'd love to.

CO-CHAIRMAN ROKEBERG: Does anybody else have any.

MR. WONNELL: There is a very extensive universal cost from the telecom act of '96, there is no equivalent cost structure to the energy act. (Indisc.--people talking).

CHAIRMAN ROKEBERG: Any more questions from our committee members?

REPRESENTATIVE DYSON: Excuse me, Mr. Chairman, is it your intention to quit at 4:30?

CO-CHAIRMAN ROKEBERG: Yes, it is.

REPRESENTATIVE DYSON: And is it your intention that the committee itself have any discussion here about how we are going to proceed or anything, at this meeting.

CHAIRMAN ROKEBERG: Not today, unless you have some questions or recommendations. We, in terms of process we have the general public hearing on the 18th, I think after that we should have, I, what I may do, at that time I'll discuss this with Senator Sharp is to break the committee into some subcommittees after that period because there are certain areas of this issue that perhaps we want to focus on if we have a little bit of division of labor and maybe we can make some more graphic headway that's something we should discuss at our next meeting. If anybody has any ideas regarding that, I'll be contacting the committee members. Mr. Kelly, sir.

MIKE KELLY: Just a question, Mr. Chairman, when you have this public meeting is it your intention that the utilities not rehash what we've done, but rather you want us there as a resource or want us to stay away out in the crowd. What's your idea there so that we can begin to prepare for the....

CO-CHAIRMAN ROKEBERG: I think that because it's a more limited period of time, I wanted to make sure that everybody else in the whole state had an opportunity to testify and you are certainly are invited to testify also.

MR. KELLY: I'm not pushing for that, I'm interested in what you want....

CO-CHAIRMAN ROKEBERG: I think that's appropriate, but if there is time available and we have the ability to do that the committee has some questions, if you want to have yourselves or representatives attend or be on teleconference as resources if the committee has any questions. One reason I decided to schedule it at that time, I thought some folks would be coming in here for the ARECA Convention in Wasilla and those people that didn't have an opportunity to come and attend today or be a part of this whole process, that would give them an opportunity to hopefully adjust their schedules to make an actual testimony at that time. Because today was intended primarily for, it was by invitation only so we could get the major players if you will to help educate this committee as to what the issues are, so we can decide what direction you want to go even without hearings and so forth. And

I think we have done that today very admirably. And we will be wrapping up in a few minutes and I do want to thank everybody for coming and participating, I know I've certainly learned a lot today, and we got a couple more minutes because we do have an airplane to catch. Gene go ahead.

MR. BJORNSTAD: This morning, Representative Dyson, I think posed the question to me and many others about changes in technology in the next five to ten years that might effect the industry. Chugach is involved in several fuel cell projects right now and if you look at the economics of them, it makes sense because there are some grants from the federal government similar to what Golden Valley got from the (indisc.) but I think fuel cells in the future are going to impact the industry. I also think that if you read the paper very small fuel cells, I think an advertisement I saw just yesterday, about a fuel cell you put in your house. The other technology that we probably need to be concerned about is micro turbines. I think you are going to get a demonstrate -- not a demonstration but at least a presentation by micro turbine manufacturer at the ARECA Convention here in a couple of weeks. Chugach is also looking into the micro turbine. Those things are important because if a person puts one of those in his house he probably doesn't need to rely very much on his local utility or local power market or anybody else. It may mean that we're going to have to look at the industry differently. I think you find the Lower 48 there are also utilities getting in other lines of business, I know Chugach certainly is, I know other utilities in this room are doing the same thing. One of the other promising things that we have heard about is the telecommunications world maybe something the electric utilities in the country are going to get concerned or involved in because apparently there is some kind of process right now that you can use your electric conductors to transmit data. Apparently, it is going forward in Europe and anticipate we will see that here in the next year or so. All those things are going to make us look differently at our customers and look differently at our organizations and I think we don't know what's coming down the pike, but there are going to be changes whether we like it or not and I think that some of these things are going to require more competition non the less. (Tape Ends)

MR. YOULD: Gene was talking about and that is the ARECA Convention that is going to be coming up. It is going to be the week of the 18th, the primary program is on the 20th and the 21st primarily on the 20th Mike, I'm sorry Senator Murkowski is going to be with us as well and I think the Governor is going to be there having to do something with uh the transfers (indisc.). Never the less the theme of the conference is Restructuring Year 2000 and it is on everybody's mind in the utility industry. It is an opportunity for

all of you'all (ph) to get first hand input from the boards of directors of all the utilities not just (indisc.--coughing) throughout the state on how they feel about this issue and what concerns they have and perhaps they are a little bit different from the concerns you have heard from the management of the utilities here today, but as Gene mentioned we are also going to have some technology people there as well. People that will be able to talk to us and are going to be a formal part of the program to talk about fuel cells, formally to talk about micro turbines and I think that we are going to be talking about uh small pylons (ph). So in addition to conducting a forum similar to this round table here, with many of the same cast of characters so that my industry and my board of directors can hear all of the concerns from everybody here as well. But I very much like to encourage all of the members of this committee to attend. I know three of you have been able to find it within your busy schedules to accept and attend and we would certainly love to see as many of you there as possible, but it will be a good educational a good two way educational process for everybody that could come. One of the advance seminar games that we are actually going to be playing is going to be the deregulation game and it is an all day probe/seminar where participants actually set themselves up as utilities and try and compete with each other and it is a formalized program that has made quite a - become quite popular amongst similar conventions in the Lower 48 where you figure out at least in a fun setting how to compete with each other.

General comments by the different presenters to committee about seminars, meetings, etc.

CHAIRMAN ROKEBERG: Any further comments from committee members? I want to thank everybody very much for attending today. It was very informative and I think that it was a day well spent with that I will adjourn this meeting until the 18th of August. Meeting adjourned at 4:27 p.m. August 6, 1998.



COMMITTEE:
Joint Committee on Electric Restructuring

DATE: August 6, 1998

SIGN-IN

Subject of meeting:

Electric Utility Restructuring - Testimony by Invitation Only

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NAME

ADDRESS (MAILING / ZIP)

PHONE

REPRESENTING

**DO YOU
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TESTIFY?**

Dwight Orngquist			APUC	Available at committee wishes
LISA ROSS	Birch Horton 20016 1155 Congress St Ave Wash DC	202 659-5800		n
Bob Lohr	106 W. 6th Ave #400 99501		APUC	N
Mary Ann Rose	310 K Street		Aurora	
Bob Price	AMLEP	263-5275	AMLEP	N
Ray Kreig	201 Barrow #1 Anch 99501 ~~Chugach Road~~	276-2025	Chugach	N
HART HODGES	NORTHERN ECONOMICS 880 H St. Suite 210 ANCH. 99501	274-5600		N
Phil STEYER	PO Box 196300 ANCHORAGE 99508	762-4766	CHUGACH	no



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REPRESENTING

**DO YOU
WANT TO
TESTIFY?**

Henry P Lang	2117 Belair Dr	274-7448	Lang Consulting	No
Donn T. Wonnell	410 W 3TH St Vancouver WA 98660	360/644-7272	ML&P	Yes
Jim PATRAS	19216B MONESTERY DR. 99577	561-1030	ARECA	No
DAN HELMICK	1200 East First Ave Anchorage AK 99501	263-5205	ML&P	No
JOHN ROGERS	10302 149TH ST CT E Puyallup WA 98374	253 840 0772	CFC	NO
LORI KELL	1200 E. 1ST AVE ANCHORAGE, AK 99501	263-5277	MLP	No
NORM STORY	3177 Lark St Homer	235-3301	HEA	No
ERIC Yould	723 U Tutor Rd Anch	561-6103	ARECA	Yes
Gene Bornsted	5601 Minnesota Drive Anchorage, AK 99517	762-9708	Chugach	YES
Donald W Edwards	5601 Minnesota	762-4637	Chugach	No



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REPRESENTING

**DO YOU
WANT TO
TESTIFY?**

Robert Hansen	P.O. Box 71249 Fbks AK 99707	907-451-5602	GUFA	NO
JEAN VON DOHRMANN	P.O. Box 101821 Anch 99510	212-9169	LEGISLATIVE CONSULTANTS INC	NO
Mike Kelly	Same			Yes
Arthur Miller	5601 Minness. L Drive Anch, AK 99517	762-4758	clerk	
Jerry Delson	660 ASHTON AVE PALO ALTO CA 94306	(650) 493-0404	Applied Analytics Associates	No
PARKER NATION		907-2675889	MLBP	NO
Mara Kohler	MLAP 1200 E 1st Anch	263-5202	MLAP	(No)
Bob Reagan			"	"
Anne Hays	IBEW, 2702 Denali St Anch 99503	272-6571	IBEW	NO
BRUCE KILGASON	AFSC / SFS	243-4322		NO



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REPRESENTING

**DO YOU
WANT TO
TESTIFY?**

[illegible]

COMMITTEE TAPE LOG

Present
Absent

PS 10/16

COMMITTEE: Joint Comm. Electrical & Restructuring
 SUBJECT: Presentations by Utility Companies, Comm. Remains by legislation
 MEMBERS: Co-Chair (Rokberg), Sharp, Sen. Leman, Taylor, Adams, Reps. Austerman, Dyson, Davies
 (Rep. Austerman arrived at 4:10pm)

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
co chair Rokberg	1/A	Opening statements, welcome guests explaining Comm. purpose - major issues to be brought up.
co chair Sharp	043	ADD to - makes opening statement explaining his purpose (Comms) purpose. Brings up lower 48 examples of how handling this "restructuring" is being handled.
co chair Rokberg	089	tight schedule, please keep to 5 minute or less. Bring up hearing - Comm. discussion (Aug 18th - open / Gen. Public will be able to testify 12:00 -) Sept 16/17 Fairbanks. Bring up Comm. members who are absent. And reason why Sen. Leman, Kenai, Homer - etc.
Eugene Bornstad	085/087	Chug. Elec. Eugene begins his testimony / presentation, complement utility restructuring / yes so how. Makes recommendations how this should could happen. "High level broad policy". "APUC Authority take in book - presentation he is making. Chug. Electric - has spoke out 2 or more util comp. to furnish utility to customers... feels leg is trying to eliminate this competition

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Eugene	122	Chug. continues his statement --- Leg. needs to clarify competition- customer choice. Feels that allowing competition is simple not complex. Feels the Leg. is trying to make this a difficult question/problem. "Capitol / Soviet com 0" Shows newspaper headlines, from Fairbanks / Seward, etc. to prove his point. Customer should be allowed to choose, not legislature.
	210	"Brookings Institution" included in hand out to Comm. Wants to offer policy guide (question issued / tech. problem, long, long delay) large to re-establish competition between utility CO's, mlwP is not opposed to competition - made by Gen. Manager a few
Eugene	270	Eugene ~~and~~ ^{co} Chair Chair thanks
Roberts	274	recognizes Sen Yeman, who begins to ask questions of Eugene
St Yeman		
Eugene	283	answers Sen Yeman's question -
Roberts	290	Reacts. Rep Dyson who asks questions of Eugene. Eugene will answer later.
Roberts	297	adds to R/Dyson's question; recognizes
Daines	301	Asks questions of Eugene
Eugene	311	begins to answer questions 2nd qu. 1st
Roberts	325	moultson to Area
11	327	Reacts Janet states need of Area to set up. ---

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Roberts	330	calls brief recess.
Roberts (Chair) Roberts	331	Recognizes Alca Eric Yauld, who begins to speak. Uses overhead projector
Eric	349	Says supported Leg. Resolution's Supports entire area (Alca) not just railbelt. Tells (Alca) that this is not a "simple" problem. Alca's caseload doubled overnight when telephone industry was deregulated. Sen. Murkowski feels this will not be an issue this yr or next. "most" issue on Fed. level 26 State - including AK trying new plan. Brings up SB54, HB235, HB287, HCR34, SB355 to bring up help his "case" on how AK is trying to restructure.
Roberts Eric	446 —	Says will forgive his "Ad-lib" comments. Eric says he will make many more. 119,000 miles of trans lines 1.4 million dist lines. Small end-gets breaks in price. Residential is just higher. Big distinction between wholesale/retail AK runs 40 cents kil per hr. higher than other 48.
R. Tyson	535	Corrects statement, city served. Homer, not Healy. Eric acknowledges correction. 822 kil per month residential use. — ~~822 kil per month~~
Eric	113000	Continues served 70 percent of AK.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Eric	010	Moves onto Rural - Village use only 31 percent of total cost.
Eric	029	Rural area concerned about - feels complex issue - Afraid of a monopoly will happen.
Eric	041	time goes off - 20 minutes up but he continues, finishes up. "7,000.00 per megawatt sourced" will this happen here... price soaring.
Rokeberg	067	about done? Eric Yes. Need to maintain Dist. level
Eric	084	Eric in conclusion - Adopt uniform standards before passing legislation. Third party assessment - objective enough to conclude problems, solutions.
Rokeberg	104	gives 30 more seconds to Eric who brings up RFP.
Eric Rokeberg	108	concludes, Rep Rokeberg says, I demand
Eric	110	Eric answers
Rokeberg	113	Rep. R. Dixon, who asks "kindly" question Eric brings up Mission statement.
Dixon	121	Continue question / Eric answers back forth w/ questions.
Rokeberg	133	calls brief recess after Eric's finish, calls APUC to get ready.
Host	133	calls meeting back to order

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
APUC Orangut	134	begin's testimony, Competition is not necessarily what (APUC's) goal. Competition is good motivating - for utility COs. Proceeding from fixed cost / phone COs - 2 areas - price up Res. cost / down for retail. Regulating not possible when monopoly happens, APUC needed to protect customer. Competition may be useful when it comes to providing service for less money.
Orangut	197	"Third Party Study - APUC is prepared to fund" Choosing company would take time. This study would state where changes would work & where it wouldn't. CO-OPS - 15/-15-. 2nd Step - Symposium - leg. regulatory, and officials - bring up experts in field. get all info / balance out - see how "all" this affects. A.K. identify issues, implement changes, etc. changing statutes etc. APUC is "creature of Legislature" wants to be out of Legislature. No heavy, modern direction of leg. Enb - questions across. 5 Lemar who are questioning APUC.
Kokobeg	249	
Orangut	270	will answer question for d. Lemar - feels APUC has authority that is quickly lost.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Oringust	282	continue - gives his personal opinion - APUC was created by Leg.
Leman	301	continues questions - budget - Chair - being fair - thanks. Leg. Direction was very clear.
Oringust	313	may I respond...?, Chair Rokeberg gives his permission.
Rokeberg	322	Quick comment then will get to (1) DYSON, grant competition take this away eliminate. shares (5) Lemans concerns
Dyson	337	Begins his questions, everyone pays same price. Oringust yes. 2nd APUC unindated w/ complaint Oringust (yes)
DYSON	357	Dyson continues questions - gives Oringust permission to give lengthy response. back forth questions/answers.
Rokeberg	373	asks one more question. Encourage study
	383	APUC wants to follow up on discrepancy by Chair of former committee. Refers to Spag Co. Lencz
	401	Thank you I recog. MZVP
Rokeberg	403	begins speaking & introducing Lawyer
M. Kohler	415	Wendell
Don Wendell	4216	begins to speak for MZVP Refers to HCR 34, bringing up five points.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Wendell	448	Continues to bring up ptb. M&P believes competition is good for the cust, but needs some controls. Change for sake of change is not a good idea but agrees w/ HCR34. Does not want to discriminate between customers i.e. rural vs. cities. Competitive environments feels HCR34 address this. (Continues to bring up differences between lower 48 & AK.
Wendell	2/11000	Continue to speak / began to speak of graphics (missed 10 seconds) of testimony. Many differences in lower 48 and AK. Last importantly there is no equal access / equal time. Essentially none of the building blocks of competition that works in lower 48, doesn't work here in AK. Continues to HCR34, brings up problems in CA. But, does not go into details.
Wendell	048	brings up prioritization problem w/ CO-ops. Cannot force a (divestiture). Differences - Competition doesn't mean customer gets a better "deal". Feels leg. should study restructuring electrical

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Wendell	069	LOS. Phone CO - when deregulated made better price for customers. focus on consumers not on Utility CO.
Wendell	083	Ends testimony opens for questions:
Robberg	087	Recognizes J. Zeman, who brings up past working w/ Wendell. Ask questions in few years will he come back? Say problems worked out.
Wendell	100 ⁽⁹⁴⁾	Brings up differences between phone utility. Does not recommend deregulation
Robberg	115	Brings up question open competition partial M&P
Kohler	121	Answers this question: "Source of power" is where the field competition will happen. Robberg continues to ask questions, Kohler continues to answer
Wendell	141	picks up where Kohler left off legal problems with comp selling private providers. End
Robberg	149	Thank you, make announcement, etc
Robberg	153	call recess to 1:15 pm (lunch)
Robberg	154	called meeting back to order calls roll (1:35) wants to adjourn by 4:30 for Fairbanks Reps to get to airport

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Rokobur	171	Recog. MEA - who proceeded setup.
Rokobur	174	Brief at a case for MEA to setup
Bruce Scott	178	Begin testimony (MEA). "Build Costly just. "feels consumer should have choice between CO'S" "Argument says... "Product transported by "electrical highway" Lower 48 can hook up across state lines. AK cannot. Lower 48 in theory can buy say CA buy from East Coast. AK is isolated from power suppliers outside of AK. "AK is a captive market." Only a few CO'S to buy electricity from. I will to customers. Mentions Black and Beach report due out later this year. MEA is not taking stance on competition, go back indifferent. Deregulation - will bring out monopoly
Scott	283	Begin to conclude -
Scott	287	End questions
Rokobur	288	Thank you and asks question about Pilot program. Bruce Scott begins to answer. Bruce feels that before beginning Pilot Program feels "we" should decide what's best for AK.
Rokobur	325	Continues to ask questions, Bruce

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Bruce	—	continues to answer
Rokberg	329	Thanks, more along GVEA will speak
11	333	Asks for written testimony from me ^{from me}
GVEA Mike Kelly	338	Begin testimony — Have real concerns, fears about restructuring, may hurt Fairbanks, i.e. mountains, smelter between Fairbanks — Anchorage.
Mike	370	refers to hand out, he will begin to read from. Feels they are compete and doesn't feel that changes should be made right now. Consumers are most important. Do not put consumers against each other or against utility co's. Brings up concerns about what's happening in CH.
Dyson	427	asks for clarification; Mike answers, Dyson continues.
Rokberg	437	Helps clarify "mega retailers"
Mike	441	Mike continues with statement. S.E. Raullett Bush (who order from importance) to GVEA. Recommends slow approach. Has grown absorbed company, they are only utility CO in Fairbanks. Speaks of "cop car" effect. Feels that more may not be better. Consumers driven, markets speaks of "Gupa" type contract. Beware of Carpetbagger.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Mike	006	changed tape while making yoke of pilots/people more hunting.
Mike Robles	007 015	Goes back into wrapup - Jimmie recognized Dyson - who asks about APUC and their ability to function. Mike feels they did a very good job
Dyson	017	APUC - economic dispatch --- Mike answers. Dyson brings up competition. Why are you afraid of Mike doesn't feel that they are doing anything wrong. Feel should concentrate on doing good job.
Robles	037	Asks question: Healy Coal plant. Mike speaks of testing.
Robles	048	Brings up further questions goes back forth.
Robles	059	Thank you, next Aurora Power
"	063	Brief recess while - Aurora sets up
"	063	Brings back to order - Aurora Power
Pease May Ann	064	Begins her testimony, brought letters from customers. Wants competition, has come up with a Pilot Program. Came into being 1994. Enstar had tariffs, Aurora buys from different suppliers - can offer lower prices.
May Ann	094	Belgium to speak of their Pilot program. Feels that "market" should determine price. Wants

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
May Ann	—	"economic dispatch", competition is a good thing. There should be a common grid". All companies can pull from this and customer would benefit from competition.
May Ann	138	"Hypothetical Approach" would not be a smart way to go. The pilot program would be the best as it would work out any problems. This would help prepare customer for full competition. "Enron" CA. ~~company~~ ^{company} that has been brought up is an example of a monopoly that happened in CA.
May Ann	185	35 MW, 2 yr period, mAP, Chugach would "unbundle" and a target group would be used to show how "retail wheeling" would work. Rural & Ricket need to separate.
May Ann Roberts	208 510	Begin to wrap up. Thank you Rep Davis begins to ask about last slide. May Ann consumers must receive lower prices. Asks
Roberts	223	~~Re~~ Dyson How force company to unbundle. How do you monitor how much this costs. May Ann explains how this can be done.
Dyson	238	Asks more, May Ann answers. May Ann believes this should be regulated. APUC is necessary.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Dyson	252	Bump up problems.
Dr. Sharp	255	What would Aurora bring. Mary Ann answers, sharp asks more questions Mary Ann answers.
Leman	266	Slight critic from Chug. asks more about Pilot Program. Mary Ann answers. Mary Ann says Aurora is in favor of full competition.
Rokberg	289	Asks about about reselling, commercial base. Mary Ann answers. Rokberg how do you plan to make money? Mary Ann, will lose money during pilot program (50,000/2 yrs)
Rokberg	310	Thank you, go on IBEW
Guyton	314	Mary begins to speak (IBEW) off screen. Elec. restructuring, asks on behalf of 5,000+ IBEW members, family that committee move slowly. Does very little evidence that consumers, families get any kind of break. Only lots that are "clamoring" to get in. Small consumers will suffer. Small consumers will have to subsidize large consumers. Please carefully consider. Such big conglomerate will be the only ones left with restructuring. Brought up deregulation of utilities. How this has not helped

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Gary	-	the consumer, CA. area deregulation's experience with had stern, enforced large reductions in workforce. Hurt consumers. West coast needs journeymen electricians, impacts employment levels.
Gary	435	Deregulation could cause layoffs people moving away. Safety of public can be compromised. Asks Legislature to be careful and go slow.
Many Jerman	462 464	ends testimony, whether it works. Asks about radical statements, radical changes --- Many answers.
Jerman	481	Continues to make statement - go slowly, have seen good results. Wants everyone to benefit
Gary	499	brings up deregulation, people think it is good, but this is not necessarily true. Not broken, don't fix.
Dyson	529	Make jokes, appreciate bringing up safety. How hard labor unions members feared with deregulation. Gary begins to tell what happens. Back to forth question/answer.
Roberts	598	Asks question, new technology, stand alone generation plants. Many answers
Gary	600	usage for what tape stopped Gary says that there would have to be good

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Mary		that someone won't come in and take over & hurt the employees.
Roberts	013	Thank you - rec on 4-DAM PDD
11	015	Please keep under 10 minutes.
Robert H. Burns	017	Will keep under 7 minutes, thank you for allowing me to speak. On behalf of group - complex issue, problems, but see benefits in competition. Please move slowly carefully so that this will benefit all. AK is unique.
11	045	4 state owned Hydroelectric co's serve 4 communities. "Capital intensive" "tranded investment" Long-term revenue. They charge 4cent per kilowatt-hr. They agree with a lot of what Mike Kelly brought up. Close that AP CO-OPS - which regulated monopoly environment. Excited about process of change.
Robert	098	Thank you
Roberts	100	has question, cost of power, alternative power source. Robert answers.
Roberts	113	Plug for Bill he & Rep Ogan sponsored that would help
11	119	Thank you go on break 15 min break goes into how discussion will go.
11		
Roberts	133	at ease for breakfast until 3:15

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Rokeberg	133	Re-convene ^{3:25pm} - appreciates their attending
Dyson	139	Begin questions
Mary Ann		Answers
Bruce Scott	206	Answers
Rokeberg	265	Asks gentlemen from audience to speak
Norman Story	- Member Elec. 274	(Makes statement - set something in writing if possible)
Eric Yauld	303	begin to speak
Rokeberg	~~322~~	
Sharp	373	how does this cost interest come down?
	4/1000	
Rokeberg	068	
Rokeberg	115	
Paula Mary Ann	184	Discuss back / forth
Rokeberg	190	
Wendell	224	Attorney for m.f.p
Rokeberg	244	
Daves	245	
Rokeberg	283	
Eugene	291	
Norman Story	^{between} 301-310	
Daves	~~311~~	
Daves		
Sharp	403/404	
Rokeberg		asks question after welcoming R. Austerson
Dyson	483.000	Asking are we adjourning at 4:30pm (5:16 ^{ish} ~~ish~~)
Eric Yauld	4/13000	Tape change, Eric Begins talking
Wm. J. Fisher	025	
Rokeberg	047	Adjourn, 4:27pm.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
August 18, 1998
12:00 p.m.

COMMITTEE CALENDAR

ELECTRIC UTILITY RESTRUCTURING, PUBLIC TESTIMONY

TAPE(S)

98-5, SIDES A & B
98-6, SIDES A & B
98-7, SIDES A & B

NOTE: These minutes were prepared by Co-Chairman Rokeberg's staff.

CALL TO ORDER

REPRESENTATIVE NORMAN ROKEBERG, Co-Chairman, convened the Joint Committee on Electric Utility Restructuring meeting at 10:15 a.m.

PRESENT

Committee members present at the call to order were Representative Dyson, Representative Austerman (via teleconference), Representative Davies (via teleconference), Co-Chairman Rokeberg, Co-Chairman Sharp and Senator Leman. Also present via teleconference was Senator Adams' staff and Senator Taylor's staff. Also present via teleconference was Senator Green and/or staff.

Also attending:

Sam Cotten, Chairman, Alaska Public Utilities Commission (APUC); Charles McKee; Carol Heyman, Chugach Electric; Randy Cornelius, City and Borough of Sitka, Electric Department; Robert Wilkinson, Copper Valley Electric; M. P. (Bert) Shaw; Hal Borregg, Bethel Utilities; Howard Garner, Alaska Power and Telephone; Ernie Meier, Alaska Regional Hospital; Mary Ann Pease, Aurora Power; Walter Sapp, Kodiak Electric; Donn Wonnell, Counsel, ML&P; Allan Yost; Eric Yould, Alaska Rural Electric Cooperative Association (ARECA); Dr. Peter Fox-Penner, The Brattle Group on behalf of ARECA; Gayle Knepper, Chugach Electric Association; Dave Lappi, Growth Resources; Paul Morrison, APUC; Meera Kohler, ML&P; Dick Barnes, Enstar; Ken Langsford, Southeast Service Corporation; Dwight Ornquist, APUC; Earl Ausman; Bruce Vergason, Alaska Fuel; Robert Hansen, Golden Valley Electric; Glenn Clary, Anchorage Baptist

Temple; Mike Kelly, Golden Valley Electric; Mike Berry, Dimond Center; Steve Bushong, Nushagak Electric; Barbara Jewel; Vince Beltrani; Pat Jasper; Ann Robinson, Alaska Sales and Service; Mike Notar (Teleconference Juneau); Robert Wiseman (Teleconference Kenai).

SUMMARY OF INFORMATION

OPENING REMARKS:

CO-CHAIRMAN ROKEBERG: Calls roll welcomes all committee members and people attending meeting either in person or by teleconference. Mentions, ARECA Convention in Wasilla, Thursday morning. Announces revision in program. Would like to request that anyone who has a time constraint please let us know as soon as possible and we will hear your testimony first. Will turn over to my Co-Chairman Sharp for any opening comments, and hear from committee members then will proceed with testimony. Looking forward to hearing the testimony on this very important issue. After hearing all testimony if we have the time, would like to have a short round table discussion.

CO-CHAIRMAN SHARP: No comments other than to say the next meeting will be in Fairbanks, September 16, 1998 for public testimony.

CO-CHAIRMAN ROKEBERG: Asks if any other committee member has comments.

REPRESENTATIVE DYSON: Briefly talks about the Year 2000 Conference he attended before this committee meeting.

DICK BARNES, President, Enstar Natural Gas Company: Enstar serves about one hundred thousand customers. Does not have a big stake in the deregulation of electric power, but has a few observations to share with the committee. Please carefully consider the consumer. Please carefully consider this issue. Is concerned about a possible monopoly as a result of deregulation and prices going up for consumers.

KEN LANGSFORD, Facility Manager, Southeast Service Corporation, 320 West 5th Avenue, Suite 219, Anchorage, Alaska, (907) 258-4003: States his company is in favor of the restructuring of electric utilities. His company gets a discount on their natural gas bill and wants this same type of arrangement with regards to electric costs.

DR. PETER FOX-PENNER, The Brattle Group, on behalf of ARECA, 1133 20th Street, Suite 800, Washington, DC. 20036, (202) 955-5050: See written testimony in committee file.

SAM COTTEN, Chairman, Alaska Public Utilities Commission (APUC): Submitted memo on contract time lines. Submitted draft Black and Veatch Report. Is here as a resource to the committee. Goes into pilot programs, and regulatory dockets, touched on what Commissioner Ornquist spoke on at the August 6, 1998, committee meeting. Mentioned case between Chugach Electric and ML&P. States the APUC does have the authority to allow competition, but service areas by law are exclusive.

CHARLES MCKEE: See written testimony in committee file.

ROBERT WILKINSON, Copper Valley Electric Association: See written testimony in committee file.

ERNIE MEIER, President, Chief Executive Office of Alaska Regional Hospital, 2801 DeBarr Road, Anchorage, Alaska (907) 264-1713: Asks the committee to favorably consider deregulation. States hospital could potentially save substantially if they were able to competitively bid. Hospital competitively bids everything from construction to major medical equipment and supplies. Since telecommunications has been deregulated, Alaska Regional Hospital has been able to negotiate with Anchorage Telephone Utility (ATU) and will have an 11.9 percent saving for \$23,100 by competitively bidding their long distance carrier alone. Currently served by ML&P; Mr. Meier approached Chugach Electric, received a proposal from Chugach which would save Alaska Regional Hospital 11.3 percent on their electric bill. In 1997, they paid ML&P \$662,700 for electricity. We can have a \$75,000.00 or 11.3 percent if competition were permitted. That's \$6,200 per month over \$200 per day just in savings alone.

DONN WONNELL, Counsel for ML&P: See written testimony in committee file.

DAVE LAPPI, Chairman, Growth Resources: Is the developer of the state's first natural gas development in Houston, Alaska. Has a handle on the technology of open gas production in a fairly populated place like Houston, would like to take that same concept and move it into rural Alaska where electricity prices and energy in general are fairly expensive. Two hundred twenty stand alone electric utilities in rural Alaska. His company would like to participate in supplying the Railbelt with electricity. Mr. Lappi is in favor of deregulation in the electric utility industry. Request the legislature make it possible for small companies to participate in the electrical market.

EARL AUSMAN: Competition can take place in the Railbelt. States committee needs input of experts in the field of electrical

industry, such as engineers who have worked in the industry. Must put in place rules and regulations to help protect the consumer if the electric utilities are deregulated.

GLENN CLARY, Assistant Pastor, Anchorage Baptist Temple on behalf of Dr. Jerry Prevo: See written testimony in committee file.

MIKE BARRY, 800 East Dimond Boulevard, Suite 3-500, Dimond Center, Anchorage, Alaska, (907) 344-2581,: Is very much in favor of competition. States deregulation will benefit Alaska, as with competition, there will be lower prices and this will help to attract new business to Alaska. Competition would help the Dimond Center, as it would lower their electric costs.

CO-CHAIRMAN ROKEBERG calls for a 15-minute recess will reconvene at 3:05 p.m.

CO-CHAIRMAN ROKEBERG calls meeting back to order at approximately 3:15 p.m.

BRUCE VERGASON, Plant Manager, Signature Flight: See written testimony in committee file.

VINCE BELTRAMI: Chugach Electric consumer, questions survey of 1,400 Anchorage residents, that show 91 percent surveyed felt that they should have the right to choose their power company. What was the make up of the survey? Questions whether people who were surveyed were told of the downside of deregulation. Very satisfied with service and cost of service from Chugach Electric. Feels that business will get a discount on their electric bills but feels like the residential customer will have to make up the difference for this discount given to business owners.

BARBARA JEWEL: Chugach Electric consumer also a member of International Brotherhood of Electrical Workers, Ms. Jewel is testifying for herself and not as a representative of IBEW. Has traveled to the Lower 48 where deregulation has occurred in the electric industry. The average consumer is not happy with the results of deregulation. The service has deteriorated; the rates have gone higher. Gave examples of how the service has deteriorated. As a consumer, Ms. Jewel does not want to have her service deteriorate and cost go up because of deregulation.

ANN ROBINSON, Alaska Sales and Service: Believes in the free market concept. We provide the best possible product and the best cost for service at the lowest possible price in order to be competitive. Their customers have a choice as to where they purchase and have their cars repaired Alaska Sales and Service feels consumers should have the same choice when it comes to

electric service. Alaska Sales and Service is the 17th largest customer that the electric company they are assigned to has; electricity is one of their major costs. They have no real control as electricity is a necessity and it would be more cost effective for them to be able to choose an electric company that gives them the lowest possible price.

ERIC YOULD, Executive Director, ARECA: See written testimony in committee file.

CO-CHAIRMAN ROKEBERG closes the public hearing portion of the committee meeting after asking if anyone else would like to testify. Committee will discuss what direction they are going in and how to proceed.

Engagement with APUC: Senator Leman will Chair, Representative Dyson and Representative Davies will be on this subcommittee. Purpose of this subcommittee is to develop a consensus. Co-Chairman Rokeberg would like a report at the next joint committee meeting which will be September 16, 1998, Fairbanks Legislative Information Office, 10:00 am. Senator Leman requests written statements, comments, suggestions by August 28, 1998. Chugach Electric submits a 4-point letter that is submitted to the committee. Further discussion on how long this process could take to get through the legislative process.

CO-CHAIRMAN ROKEBERG: Brings Dr. Fox-Peneer to the table

DR. FOX-PENNER: Agrees to make himself available to the committee and sub-committee. He states that his company will not bid for pilot project.

CO-CHAIRMAN ROKEBERG: Calls Don Edwards, Chugach Electric to come sit with the committee and give his thoughts.

DON EDWARDS, Chugach Electric: Agrees that a consensus is needed and is a good idea. States his concerns about economic dispatch. He is against a pilot program as there is too great a chance for "gaming."

CO-CHAIRMAN ROKEBERG adjourned the Joint Electric Utilities Restructuring committee meeting at 4:25 p.m.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

The meeting adjourned at 4:25 p.m.

NOTE:

The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at 130 Seward Street, Suite 211, Juneau, Alaska 99801-1182, (907) 465-2214, and after adjournment of the second session of the Twentieth Alaska State Legislature, in the Legislative Reference Library.

COMMITTEE TAPE LOG

Present 18

COMMITTEE: Joint Comm. on electric utility Reg. DATE: 8/18/98 TIME: 12:08
 SUBJECT: Public Testimony - Restructuring
 MEMBERS: (Co-Chairs) Rokebers, Sharp - Sen(s) (Leman), Taylor, Adams,
Rep(s) (Austerman, Dyson, Davies).

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Rokebers	~~044~~ / A/1	Called to order, called roll, checked phone / teleconference lines. Different XTO'S, Kenan, Fauriol, 12000, Juma, Mel attending by teleconference for Senator Taylor, Rep's Phillips office also represented by teleconference.
Rokebers	055	Asking anyone on lunch hour to speak 1st, please advise.
Sen Sharp	091	Next meeting Thursday 19th - 10 ish.
Dyson	103	Mentioned 2000 yr. conference
Rokebers	110	Recg Burns
Dick Burns	113	Enstar Gas (represents)
"	114	continue - (checking ^{status} on feedback) talks about utilities being consumer owned.
Sen Leman	~~222~~	Asks question - Broad Policy - APUC -
Rokebers	258	Have questions - on line
Rokebers	"	Asks questions, when no one on line has any questions
" " "	316	Thanks Mr. Burns
Kenningford	322	S.E. Sevier ~~committee~~ wants to see restructuring, feels it will lower his cost (5th one mail)

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
		(320WS4 NW 57214 258-4003)
Lunsford	335	(continues to testify, for restructuring)
S. Lemmon	347	Ends testimony - asks question Sunnings. R. Rokeberg also asks question.
Rokeberg	354	Thank you Mr Lunsford (S. Shap went for quick lunch break)
11	364	asks about Mike - LIO are you okay, asks / goes into who else will be speaking.
11	374	Recognizes Peter - Fox, gives degrees etc.
Fox Penner	387	Begins to speak - 1133 20WS NW St 800 ^{Washington, DC} 20036 202-955-5050
		~~Begin~~ Begins to speak on behalf of ALEA. (has given written statement) AK. how many remote ~~systems~~ need separate / different CO. for each remote area. Extraordinary effort for AK. lower 48 model may not be right for AK.
Fox Penner	000B	Also Thanking the committee for the time. And says are there any questions. Rep. Dyson asks question whether R. Rokeberg followup before Fox - Penner answers (during tape change only missed Thank you's) No testimony missed.
Dyson	012	(Clarifies his question) position
Fox Penner	(050 ind)	Answers Rep Dyson -
Dyson	055	Continues his line of thought. Fox - Penner answers. (back / forth)

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Dyson/Penner	066	question/answer continues between R. Dyson/Fox-Penner. R. Dyson thanks personally.
Rokeberg	087	Recg S. Leman, who speaks.
Leman	092	Continues asks question of Fox-Penner
Fox	109	Answers S. Leman's question, speaks about pilot programs. Laboratory for their own purposes. Wanted experience, of lost money, that is okay, because of experience gained.
Leman	112	follow up asks another question
R. Davies	152	Wants to / does elaborate (asks) question. "Pilot Programs"
Fox	175	says he will be happy to come back & speak
Davies	177	follow up (back forth)
Rokeberg	208	Thanks Fox
II	213	Asks a question of Dr. Fox. Suggestions?
Fox	217	Gives his opinion.
Rokeberg	240	Continues back forth Rokeberg/Fox
II	248	Thanks Dr. He says he can stay as long as possible. Left at 7:30pm.
Rokeberg	255	Recg. Comm. Cotton of APUC
Sam Cotton	260	Chair APUC begins testimony. He available for questions in regard to last meeting 8/6/98 when Comm. Inquest spoke. Brings up Pilot Program. Gives preliminary report will send to the Comm
Rokeberg	304	interrupts w/ question

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Cotten	310ish	Spoke to someone in back (tape may not have picked up) Cotten continued to speak -
Rokeberg	333	Asked question Pilot Program - funding? Cotten answers.
Cotten	342	End presentation, willing to work with
Rokeberg	347	Recog. Dyson, who asks question
Dyson Cotten	360	continues back/forth
Dyson	370	finally ...
Leman	375	Asked questions of Cotten. Spoke of inconsistencies in APUC statements.
Rokeberg	395	Asks question (None from RIS notman in Davis).
Cotten	403	Recommends some legal advice continues questions (back/forth) (member Zyras Chairman Zyras (Cotten))
Rokeberg Cotten	446	Continues between Rokeberg Cotten
Davis	2/A ²⁰⁰	Pep Davis asks question
"	010	Cotten answers R. Davis's question
Rokeberg	018	Thank you
Rokeberg	025	Recognizes Charles -
Charles McKee	026	Submits his Web page for consideration ...
McKee	089	Continues testimony
Rokeberg	090	Asks are you finished w/ testimony
McKee	100	End, Rokeberg thanks
Edwin Williams	107	begins testimony General Manager Golden Valley speaking for Copper Valley

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Robertson	118	Continues testimony.
" "	178	is testifying. Do not mix large owners Lake House for competition. Copper Valley Electric programs may not be able to handle. Study issue carefully especially in regards to Rural AK.
" "	217	Ends testimony
Robertson	218	Asks a question of Robert. Robert and Wilkinson go back/forth with question answers.
Dyson	264	Begins to question Robert. Robert answers, Dyson continues to ask questions.
Robertson	290	makes comment
Leman	292	Begins to speak.
Wilkinson	305	Answers Leman's question.
Davies	312	Asks a question.
Robertson	323	makes comment / Robert answers
Dyson	328	asks question. Robert answers.
Dyson	347	Asks another question (Does not mean to be sarcastic) Robert answers.
S. Shop	370	Projection, bottom line. Robert answers.
Robertson	374	Thank you
AK Regional H Council Meyer	376	280 Robertson 264-1713. Favours deregulation. Would like to shut out electric. MWP currently serves AK. Hosp. w/ electric power.
M.L. Meyer	417	Ends testimony (Leman begins to ask question of Meyer)
Meyer	423	answers

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
M. Meyer	425	Continues to answer.
Yeman	424/130	asks (back forth between Yeman / Meyer)
Roberts	437	tell Comm. Charitable Contribution;
Meyer	—	* Wrote off non-compensated case.
Roberts	446	Continues to ask (back forth)
11	453	Thank you, brings up who will testify next,
Donn Donnell	459	represents MZP, return briefly to introductory statement made by R. Roberts. * Refers to hand out the goal to the Committee. * B. will request a (approx 15% reduction). Feels should establish parameters, one step at a time. (instruct) empower APUC.
Donnell	513	Appreciate, Thank you any questions
Yeman	514	how to empower APUC. Don answers
Roberts	~~540~~ 542	questions?
Sharp	543	How do you define a utility?
Donn	547	Continues in his answer. Sharp continues his questions/comments, Donn answers.
Dyson	562	maybe an unfair question.
Dipon	2/5 ⁽⁰⁰⁰⁾	Continues in his question of Donn (Tape recorder malfunction, took a minute to fix, missed some of R. Dipon's question) Donn begins his answer.
Dipon	034	Makes one more attempted question
Donn	042	attempts to answer question.
Roberts	051	Thank you

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Robbers	055	Juneau online?
Dave Lapper	062	Begins to speak (Anchorage 410) All of our power comes from "large load" Cob. This co. would also like to supply. But cannot afford to compete. Harms deregulation of electric market.
Dave Lapper	137	questions?
Robbers	138	More to see you. Ask questions, Dave answers.
Robbers	149	Thank you, a couple more witnesses then break. (3 more to testify before break)
Earl Oswald	159	Engineer here in AK. Begins to testify. Very much for competition, could easily take place in Railbelt. Talks about distributed development.
Robbers	232	Thank you
Dyson	234	Impact our situation here in AK. Earl answers, small gas turbines (243 - Dyson puts in comment - Earl continues,
Dyson	248	Continues questions
Robbers	252	asks further ques, Earl answers (turbo)
Dyson	263	Comments / Earl answers.
Robbers	271	Reluctant signal
"	273	Shall we go / Ft. Yukon?
"	277	Thank you Earl.
G. Connolly	281	Assist Pastor / ABT on behalf of Dr. Jerry Pero who is out of town & who is in favor of deregulation, would assist ie non-profit organizations. Would help "our money" further.
Robbers	298	Any more comments / Glenn answers.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
~~Glenn Day~~	303	"110 kind sum" "no round table after meeting" (Then said it would be okay if non
~~308~~		
Rohberg	309	yes, there will be maybe discussion
Dyson	312	utility CO's asked you to testify. (Yes)
Rohberg	316	how big is your church? Allen answers.
u	319	Thank you, recos. make Ben
~~320~~		
Mike Ben	321	Represents Diamond Center, utility but is in excess of one million dollars. Please benchmark costs. Could pay for co-generational costs in 10 years. Brings up pay phones, etc.
Rohberg	381	questions?
u	384	Also question. Mike answers.
Rohberg	404	further questions?
Dyson	405	ask question, get answer.
Rohberg	406	Slight break goes thru list of persons left to testify.
Rohberg	404	Recessed until 3:05pm.
u	415	brought back to 3:15pm
Staff		Juneau office line, Kenai no longer here
Rohberg	422	Return to Anchorage, Mr. Ferguson welcome.
Bruce Ferguson	426	signature flight represents. Found himself frustrated that there was no competition in Anchorage - Electric. Is in favor of competition. Deregulation needs to be done in steps. Pilot Program would be good is willing to participate in.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
~~Versa~~ Son ~~Eng~~ Son	451	Do not need to reinvent the wheel, could pull pilot project off with. Pilot program should be limited to Anchorage Bowl. Feels "no brainer" to go ahead
Roberts	480	question
Ferguson	481	was asked by utilities to speak.
Roberts	483	Recognizes ^{Mr.} Beltrame
Kuncel Beltrame	486	Chugach Elec. Co. Consumer, questions Survey, who, Downside of deregulation. Is satisfied with service. Concerned about savings to residential users.
Roberts	507	Thank you, any questions?
Yerman	317000	Something up your sleeve, when do you get figures?
Roberts	012	points out expenses in Real Estate market. Neither feels his testimony an over savings for residential in an expensive
Roberts	028	Thank you
Barbara	033	Consumer Chugach member (BEW), own opinion. Traveled, spoke w/ consumers of deregulation. They are not "happy customers." ~~the~~
Roberts	063	questions, Roberts choice? Talked of peak / non-peak hrs.
	076	Thank you
~~Roberts~~ Robinson	082	AK. Sales / Service, she represents them. Is in favor of deregulation, compare to her co. Selling cars, also brings up Natural Gas.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Robbers	120	Thank you for question, why need
Dyson	127	made joke (Chargen was / I don't know)
Robbers	133	Anybody else "couldn't", needs, you'd.
Eric Youll	137	Went back up much time.
		Thanks Comm. for time, encourage
		attendance at ARELA Convention
		20th of Aug. Testimony in favor
		of from Business, Linda
		this unsurprising (pts out page 8
		on hand out) and brings up
		cost. This was handed out when
		expert testified & will answer questions.
Robbers	192	brings up to expert
Robbers	197	Thank you, Ms. Keller,
		Ms. Keller - ND
11	202	Anybody else wishes to testify?
11	206	Closes Public testimony, will
		now discuss directing Comm.
		and possibly Round table discussion
11	214	Begins asking Comm. timeframe
		of this meeting begins to make
		statement
Robbers	233	wants to establish subcommittee
		no objections
11	238	acceptable?
Davis	240	Supports study - sub committee.
		will volunteer to work on
Robbers	246	2 members more time
~~Lester~~	250	A woman will join Chair sub
Will	252	will join us

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Rohrer	255	both said yes, he appoints S. Leman, Reps Dyson, Davies to Sub Committee
Leman	262	APUC - looks to see for deviator
"	268	Cooperative Engagement w/ APUC sub comm name.
Rohrer	273	Clear? Prelim report by next meeting
Sharp	276	go into some type of comparisons be very precise for understanding "recognizable" straight & narrow.
Rohrer	298	Agrees w/ S. Sharp. Major change of sub comm.
Ann/Amaral ^{plump}	326	P3 State have pilot programs
Sharp	330	Input APUC, cost of service, price change
Rohrer	337	asks for his input
Dyson	339	"gongon", backing forth Rohrer/Dyson.
	344 with	Audience participate in answering Paul Morrison - APUC spoke
	352	Dyson/Rohrer discuss - must discuss Competition Wholesale/Retail.
Davies	368	important issues - differences AK and lower 48. CO OPS, consumer owned. Cost efficiency, relatively small users base AK
Rohrer	367	asks for clarification. Davies gives:
Rohrer	391	Wants to talk to "Johns"
"	348	Volunteers to write to help Leman

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Robelberg	403	Continues - members of audience - please make written recom. to S. Leman cc. Robelberg.
Robelberg	415	4 pt letter Chugach - brings up and discusses where Comm. is going.
Robelberg	441	Comments
Leman	442	agrees we need ~~some~~ consensus.
Sharp	447	So many Landmris, fields utilities should be come involved
Robelberg	457	Speak about visitors to Leman, going after
Sharp	457	takes time at least 1 yr of season to get done.
Robelberg	458	16th meet. in Fairbanks (Sept)
Sharp		?
Leman	474	Concur w/ request to submit written request to sub Comm. Deadline - 1st week in Sept. Info in by Aug 28th to sub Comm
Robelberg	489	Dr. Fox - Renner! Robelberg asks for his opinion
FOX	494	Yes! Would like to give input. Biddle group does not plan to discuss pilot program but will continue to work w/ AREA.
Robelberg	539	Peer review / price
Dyson	542	Firms in AL qualified (WD) back 18mth Dyson / FOX

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
—	549	Continuing interaction Dyson/Fox
Jerman	3/B ⁰⁰⁰	Thanks him (Fox) for his input.
Fox	607	Would he/will he honored to accept continue w/ statement. Newk/HSE
Reheberg	078	Thank you any one else want to comment?
Don Edwards	087	Chug. Elec. will save most of his comments w/ later statement to Sub-Comm.
Roxebers	137	Clarifying, integrating general consensus pilot program?
Don Edwards	143	Near consensus that competition would be good thing.
Reheberg	153	try to find consensus, pilot program
Jerman	158	Already had bill can increase 4.
Edwards	163	General Pilot - you get going
Roxebers	169	we need one
Dyson	170	2 questions Economic Dispatch
Edwards	178	has consensus problems.
Dyson	197	Competition won't effect ~~actual~~ reliability? go into his concern dyed maintenance
Edwards	206	transmission distribution, you eliminate threats to liability
Reheberg	239	further questions, + thank you, Anyone else.
Reheberg	247	meeting adjourned until 10am Sept 16 th in Larchmont Meeting adjourned. 4:25pm



COMMITTEE:
Joint Committee on Electric Restructuring

DATE: August 18, 1998

Subject of meeting:

Electric Utility Restructuring - Public Testimony

SIGN-IN

PLEASE PRINT!

NAME

ADDRESS (MAILING / ZIP)

PHONE

REPRESENTING

DO YOU
WANT TO
TESTIFY?

Charles E. McKee	Anch, AK P.O. #243053 99524	Drill		yes ✓
Carol Heyman	2180 Innes Circle Anch 99575	345-2272	Chugach Electric	No
Randy Cornelius	SITKA P.O. Box 1253 AIC 99835	747-6633	City & Borough of SITKA Electric Dept.	No
ROBERT WILKINSON	BOX 45 Glennallen 99588	822-3211	COPPER VALLEY ELECTRIC ASSN	YES ✓
M. G. (Best) Shaw	332 Shaw Circle	337-3807	Private	?
Hol Borresen	Bethel, AK	543-2949	Bethel Utilities	No
Howard Garner	PO Box 3222 Port Townsend WA 98368	800 982-0136	Alaska Power & Telephone	No
ERVIE MEIER	ANCHORAGE 2801 DEBARR RD	264-1713	AK REG HOSP	YES ✓
Mary Ann Pease	310 K Street Sinito 601	277-1003	Aurora	○
WALTER SAPP	1515 LYNDEN WAY KODIAK, AK 99615-6282	486-3386	KODIAK ELECTRIC KEA	NO



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PHONE

REPRESENTING

**DO YOU
WANT TO
TESTIFY?**

Donn Wonnell	410 W 37th Street Vancouver, WA 98660	360-694-7272	MLAP	Yes ✓
Allyn Gist	13621 VANUS WAY ANCHorage AK 99555	345-8446	self	No
Eric York / Peter Furber	ARELA		ARELA	Yes.
Gayle Knepper	PO Box 196300 Anchorage AK 99519	762-4814	Chudson	No
Dave Lappi	4900 Sportsman Drive Anchorage AK 99502	248-7188	Growth Resources	Yes ✓
Paul Morrison	1016 W 1st Ave suite 400 Anchorage AK 99501	276-6222	APUC	No
Meera Kohler	WIL & P	265-5202	MLAP	Yes
* Dick Barnes	ENSTAR	264-3681		yes ✓
Kew Longford ^{by} STAN	Anc 5th Ave Mall			YES ✓



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PHONE

REPRESENTING

**DO YOU
WANT TO
TESTIFY ?**

Dwight Orngvist		276-6222	APUC	Available for Committee as desired
^{Before 3} Frank Ausma	1503 W 33rd Ave Suite 310 Anchorage 99508	259-2420	Personal	Yes
BRUCE VERGASON	~~1000 DEATH~~ ^{Signature Flight Support} PO BOX 190246 ANCH 99519	2434322	(Alaska Fuel) SELF	Yes
Robert Hansen	PO Box 71249 Fbks 99707	451-5602	GUEA	No
GLENN CLARY	6401 E. Northern Lights	333-6535	ABT	yes
Mike Kelly	Fai	452-1151	GUEA	No



COMMITTEE:
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NAME

ADDRESS (MAILING / ZIP)

PHONE

REPRESENTING

DO YOU
WANT TO
TESTIFY ?

Mike Barry	800 E. Dimond Blvd Suite 3-500 Anchorage Ak. 99508	344-2591	Dimond Center	Yes ✓
Steve Bushong	PO Box 350 Dillingham, AK 99576	842-5351	Nushagak Electric	No
Barbara Jones	16235 Elizabeth Anch AK 99516	345-1447	Self	Yes
Vince Beltrami	2051 Steep Dr. Anchorage, AK. 99516	345-5441	Self	Yes ✓



COMMITTEE:
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SIGN-IN

PLEASE PRINT!

NAME

ADDRESS (MAILING / ZIP)

PHONE

REPRESENTING

DO YOU
WANT TO
TESTIFY?

Pat JASPER	6141 Jewell Rd 99502	243-5078	Chugach Bus Co.	NO
Ann Robinson Alaska Sales & Service	1300 E 5th Ave Anchorage 99502	265-7572	Alaska Sales & Svc	Yes on deregulation

(5)

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
SUBCOMMITTEE MEETING
September 4, 1998
9:10 a.m.

NOTE: This subcommittee meeting was transcribed verbatim by Representative Rokeberg's staff.

TAPE(S) 98-8, SIDES A & B

CALL TO ORDER

SENATOR LOREN LEMAN, Chairman, convened the subcommittee meeting on Electric Utility Restructuring at 9:10 a.m.

PRESENT

Committee members present were Chairman Leman, Representative Davies and Representative Dyson. Representatives Davies and Dyson were in attendance via teleconference.

ALSO ATTENDING

Jim Patras, Homer Electric; Dwight Ornquist, APUC; Bob Lohr, APUC; Sam Cotten, APUC.

SUMMARY OF INFORMATION

CHAIRMAN LEMAN: I understand that we have Representative Davies and Representative Dyson on line. Is that correct?

REPRESENTATIVE FRED DYSON: Yeah.

CHAIRMAN LEMAN: Okay, I'll call -- John are you there too?

REPRESENTATIVE JOHN DAVIES: Yeah, I'm here.

CHAIRMAN LEMAN: Okay, good morning.

REPRESENTATIVE DAVIES: Good morning.

CHAIRMAN LEMAN: I'll call this subcommittee meeting to order and apologize for being just a few minutes late. I got caught in the morning traffic and had to drop my daughter off at school on the way in. I knew I had a very narrow window and I got trapped just a little more than I thought I would. Anyway, both of you have

received the memo with the back up information that we sent several days ago which essentially synthesized the comments from some of the respondents and, that we had requested.

CHAIRMAN LEMAN: Plus I guess I added some of our own thoughts and my thinking is that we get some input from you in response to that; maybe anything in there that you want, and then in a few minutes we will be joined by Commissioner Ornquist and Chairman Cotten. Mr. Cotten will he also be here, Dwight?

DWIGHT ORNQUIST, ALASKA PUBLIC UTILITIES COMMISSION: He's planning on being here.

CHAIRMAN LEMAN: We are going to be joined by the APUC in a few minutes and then I would like to get some feedback from them and I'll just tell you that my constraints are that I must leave by 10:30 am. So those are our time constraints today. Having said that do either of you have any comments to what we distributed or any other input to this effort that could be beneficial. How about Fred, I'll start with you and then John we'll go to you.

REPRESENTATIVE DYSON: Yeah, but my comments don't fit on a bumper sticker, (indisc.) the guidelines for the request proposal and almost line by line. I'm interested in almost every aspect on that and have comments on.

CHAIRMAN LEMAN: Is there anyway you can get your thoughts to us or maybe you can somehow share it or put it into writing or talk to me at another time; or somehow get this in?

REPRESENTATIVE DYSON: I thought that's what we were going to do this morning.

CHAIRMAN LEMAN: That is what we are planning to do this morning.

REPRESENTATIVE DYSON: That is what we are going to do now is talk about his stuff. So, I am prepared to discuss it, I haven't written my thoughts about those discussions down.

CHAIRMAN LEMAN: That's why we have people here who can write, and we are I think we're recording this so if we want to listen to this again and try to decipher what it is we are saying that is our intent. I intend for this to be fairly informal, this is essentially a working group that will make a draft recommendation to our full joint committee in Fairbanks, or sometime before that so we can have it to discuss with the full committee when we are in Fairbanks on the 16th. So as far as I'm concerned, Fred no comment is to tedious or the fact that it isn't documented isn't a problem

to me, I'd like to talk through this and see if we can come up with something that makes some sense.

REPRESENTATIVE DYSON: All right.

CHAIRMAN LEMAN: Before we go any farther, Annette are you on line also?

TELECONFERENCE MODERATOR: No she's not.

CHAIRMAN LEMAN: Did she request to be hooked in? We are checking here.

TELECONFERENCE MODERATOR: As far as I know, she was going to call in.

CHAIRMAN LEMAN: Do you know, Janet?

JANET SEITZ, LEGISLATIVE ASSISTANT TO REPRESENTATIVE NORMAN ROKEBERG: That's all I know she was going to call.

CHAIRMAN LEMAN: Do you have a (indisc.)?

TELECONFERENCE MODERATOR: I don't think we do, I will check.

CHAIRMAN LEMAN: John, did you have any quick comments before we start, we go back to Fred and then start going through line by line some of his comments.

REPRESENTATIVE DAVIES: I would be interested to sort of march through it paragraph by paragraph as Fred has indicated. I do have one sort of overall kind of concern or comment it has to do with the sort of the timing and one of the concerns in there also voiced which is the time frame that a study would be done in. It's sort of like what is our intent here, I agree with the comment in there that I don't think that we can get a substitute study done in time for us to even be done, but certainly time for us to digest this prior to making a recommendation to the legislature on the time frame that we are presently working. So I guess, I just like a little bit of feedback from you and Fred and then we might even need to go back to the full committee to kind of get a sense of are we going to modify our time scale, are we going to scale back our objectives, I think a lot of the stuff we are going to have is going to be colored by that issue of timing. So I would like to hear some comments on that, my feeling personally is that there is not time to do a credible study certainly not time to do a, what do you call the pilot program between now and January. It seems to me like sort of two options: one is to just not do that and make a

recommendation a generic kind of general recommendation to the legislature or the second thing to be would be to delay a final recommendation and say that our recommendation is that we do the study and/or a pilot program and then hold off on any other recommendations to the legislature, till maybe a year from then. So I -- have you guys been thinking about those things and what is your feelings about those issues.

CHAIRMAN LEMAN: I have done some thinking about it and I share your concerns, I don't think that this study with the proposed scope of work has...at least as we are drafting now can or even should be done in the limited time that we have between now and when session starts about the middle of January. I just think it is probably - it's unreasonable, I don't think we even had somebody under contract I'm guessing another month and would be ambitious to think of another month and probably two months. So we are just cutting down on time and by the time you have interactions with people in Alaska and with utilities and you know just getting people up to speed I just think it is unreasonable to have that result. But, my other concern is that a study is a replacement for action on those things that we can take action on and can probably -- are some areas in the state that certainly the Anchorage area where some of the concerns that have been expressed about utilities in rural Alaska or state ownership of the Four Dam Pool and some of those things do not have the same level of concern and don't want the study to be a replacement for action on those parts you know where the legislature or the commission can act and so I have been trying to think through what things can be done. Can the consultant recommend or make recommendations about design of a pilot and in what areas of the state early on and work on other eliminates of the study and so the deliverables of parts of it would be sometime beyond the middle of January perhaps far beyond the middle of January and yet we could have some elements delivered early. That's kind of, where my thinking was and I think I'm seeing eye to eye at least with your concerns. Fred, any reaction?

REPRESENTATIVE DYSON: I found the time thing was absolutely unreasonable. My guess is we won't even get RFP written for three weeks. At least, so, I think we are quite unreasonable and we are liable to get pretty shoddy results if we push that January thing.

CHAIRMAN LEMAN: But, maybe if we are really ambitious we'll have the RFP written and out on the streets by January 19th.

REPRESENTATIVE DYSON: (Indisc.--people talking) that's probably more realistic and discouragingly slow, but that's probably more realistic.

CHAIRMAN LEMAN: Well ... I think we agree then on the timing, I will invite the APUC commissioners to react to it, but, I think they probably have concluded the same thing as we have regarding timing.

REPRESENTATIVE DYSON: All right.

CHAIRMAN LEMAN: Any other comments like that John that you wanted to bring up at this time, before we go back to Fred.

REPRESENTATIVE DAVIES: I just -- I guess an over arching kind of concern about the relationship between the sort of immediate action that you want to take in front of our -- what sort of recommendation we might be coming up with. ... I'm also concerned about making a recommendation off the top of my head right now without having a little more discussion, but, I have some concerns about just trying to move ahead too quickly with this. I don't, I guess my sense is, there isn't any urgency other than that, that is being placed on us by Chugach and, I don't think that if we were to wait a year that we would be harming the consumers, and if we were to take some action that was precipitous, we might possibly do that. I think we should be cautious, I guess that's my general frame of mind here. I guess I would be more comfortable with a time frame where we did an analysis and then recommended a pilot program. I'm not opposed at this point necessarily to doing that, but I just wanted to communicate to you, kind of my general frame of mind in this whole discussion is that I don't see that there is any burning building that we -- a fire that has to be put out. I think that we need to rather consider this issue in a very deliberative way and be fairly cautious about the way we redo things. I mean this has been the structure that's been in place for 20, 30 years and if we spend two or three years figuring out the best way to approach the changes, I don't think that's a really safe deal.

REPRESENTATIVE DYSON: Amazingly I tend to agree. And I think our situation is somewhat unique and you've indicated all along Loren, it takes -- if we are going to have competition and I believe we will at some point, it's going to be fairly limited and it doesn't make sense in the really small communities and I don't see why we need to be the ones making the experiments and learning the brutal hard lessons that a couple of other states have, namely California that you know, I'm wanting to go cautiously unless somebody else makes mistakes and not plow the new ground here. We've got lots of other things on our plate to deal with. We don't have to be the ones to do the grand experiments on power restructuring and when I talked with the consultant who was here Fox something, that guy with the hyphenated name; he told me that 90 or 95 percent of the

savings to the consumers would come from wholesale competition and/or economic dispatch power pooling, and I have a disproportionate interest in proceeding with wholesale competition ahead of the retail competition. So, I want you guys to know philosophically that's where I'm starting.

CHAIRMAN LEMAN: Yeah, I share many of your concerns, I may be one who is willing to be more ambitious in the schedule of at least moving ahead with some of those things that can be moved ahead and what I meant by my opening comments was that we just not place barriers in the way either intended or unintended that could slow down that potential if the legislature in its direction or if the APUC in its action were to go ahead with some limited authority for pilot work.

CHAIRMAN LEMAN: I wouldn't want our work, the study and the waiting for deliverables to be used as the excuse for stalling what could advance. Now what may result from that and what may ultimately become - let's see the word I was looking for, become a solution in Alaska for change, well I lost that thought, but I don't know why that happened...

REPRESENTATIVE DYSON: You know certainly I'm committed to not using a study as a subterfuge for torpedoing consideration and going ahead with competition that makes sense.

CHAIRMAN LEMAN: Well, that's where I am in it, I believe that we could today even without this study design or you know design a pilot in at least a portion of Alaska that makes some sense and proceed with it. I'm also concerned that it not produce erroneous results that cannot be extrapolated and I think it is possible for that to happen and we have heard testimony to that effect.

REPRESENTATIVE DYSON: Well my response to that is that you must know an awful lot more about this and how to proceed and solve what I think are some real conundrums then I do, because I don't see how we can proceed with limited competition now without raising some significant issues that I don't see the solutions to. And I'm hoping that our contractor will show us how we can do that and how other jurisdictions have done it. But, my hats off to you, ... if you are comfortable with you know enough that we can do this now.

CHAIRMAN LEMAN: I'm not saying I know all the answers I just am convinced that it can be resolved and it can be designed in a way that we can produce some results that will make sense but...

REPRESENTATIVE DYSON: I'm not, but I hope you're right.

REPRESENTATIVE DAVIES: Yeah, I'm not so convinced of that either and the fundamental issue for me is I guess, I mean, Fred raised the issue of the wholesale competition, from everybody I've talked to says it's really an effect we don't have even the wholesale competition at this point and that also people have said that you really should proceed in a step like fashion, that you should walk before you run and in this case that means wholesale competition first and then retail competition and as Fred said most of the benefit is already in the wholesale. It seems to me that we ought to be focusing on that and so if that is true why would we bother doing a pilot that looks at retail when we don't even know how that fits in with a situation where you don't have wholesale competition.

CHAIRMAN LEMAN: I guess my comment is that we have no prohibition on wholesale competition. The fact that it doesn't exist or doesn't exist to the level that we may think it should exist is more a product of the marketplace than it is or in existing contracts then it is of any statutes or any regulatory structures and...

REPRESENTATIVE DYSON: I fundamentally disagree with you Loren. I think the fact that we don't have wholesale competition is that all these people of all these companies have been operating in a regulated monopoly and there is no economic incentive nor is there a good consumer watch dog looking over their shoulder that forces them to go do the things that have saved money for the consumers and what we have is fifty years of indolence and lack of inertia to be imaginative about how to deliver services to the consumer. There's nothing out there pressing these guys to save more money for the consumer or improve services, you know, and that's of course part of the genius for the competition or the threat of it, but I don't believe and we don't have economic dispatch and power pooling or wholesale competition these guys don't want it, they are sitting - it set there for fifty years with cost plus contract and a guaranteed income no risk, and, you know our job is to find the mechanisms to get these guys out of their comfortable little fortresses and doing the imaginative things that will serve the consumer and the reason we don't have wholesale competition is they don't want it in spite of their rhetoric.

CHAIRMAN LEMAN: I'm not going to argue with you on that point Fred, in fact, I think you are probably correct, you probably have more experience directly in that (indisc.) and you speak from your experience.

REPRESENTATIVE DAVIES: May I comment on that just real quickly?

CHAIRMAN LEMAN: Sure.

REPRESENTATIVE DAVIES: You know I don't disagree entirely with what Fred said but I think there is another explanation for it too, which is -- and I don't think that we have - I don't think there is anything fundamental in our law or fundamental in our - in the APUC regulatory structure that is a hindrance that prohibits that other than the basic frame work as Fred indicated that we have a regulated monopoly situation is just a mind set that centers around that. It doesn't necessarily look for competition, but that doesn't mean to say that the various utilities here haven't gone out to bid for various things and have benefited from competition in those ways.

REPRESENTATIVE DAVIES: And I think also though that there is something fundamental about the small scale remote dispersed nature of the system that we have in Alaska, it has only been -- remember with the interties, when did we do the interties only in the last decade or so that the interties have really been you know, where we've had a situation where we could ship power from Chugach to Fairbanks, so, I mean, if a situation is slowly developing I can get -- derives mostly from the factors of geography and scales, that's what the primary impediment to wholesale competition in my mind.

CHAIRMAN LEMAN: We have the commissioners here and I'm going to ask them to join us at the table and continue our discussion, but just before we do that are there any other over arching either concerns or comments about process before we bring them to the table. Then we can start going through line by line with the guidelines, anything else on the...

REPRESENTATIVE DYSON: No, go as far as I'm concerned.

CHAIRMAN LEMAN: Okay, Sam and Dwight do you want to come up here and join us we are fairly informal and we have Fred Dyson and John Davies on line and...

UNIDENTIFIED SPEAKER: Mr. Lohr is here to.

CHAIRMAN LEMAN: Bob, do you want to come up and join us? Just so -- I think they probably would recognize your voice, just so they know for sure, please say who you are and we'll -- Janet is probably making notes and you're making notes so when we get this tape done we'll know who is talking. Just before I do, Annette, are you on line.

ANNETTE KREITZER, LEGISLATIVE ASSISTANT TO CHAIRMAN LEMAN: Yes.

CHAIRMAN LEMAN: Anything that you want to say before we continue.

ANNETTE KREITZER: No, I don't think so, I've been making notes.

CHAIRMAN LEMAN: Before we get into detail, Sam, Dwight, anything just on process you want to talk about before we start getting into the detail.

SAM COTTEN, CHAIRMAN, ALASKA PUBLIC UTILITIES COMMISSION: I had the opportunity to speak with - is it Annette, yesterday and we talked about some of the procedures that state government may or may not require as far as contracting.

SAM COTTEN: And I think we may have made some progress on that and I later had a discussion with our Executive Director as to how we may be able to shorten up the process somewhat as a result of government to government relations and I don't know if Annette had a chance to talk with Phil Bennett, but I think we are making - we are getting smarter on that subject at any rate.

ANNETTE KREITZER: I did Mr. Chairman have the opportunity to speak with (indisc.) and relayed that conversation to (indisc.).

CHAIRMAN LEMAN: Just so everybody else is up to speed, that we are talking about a possible government to government relationship with the acronym NRRI, out of I think Ohio.

ANNETTE KREITZER: Ohio State sir.

CHAIRMAN LEMAN: Ohio State -- Annette why don't you just give us a real quick thumbnail sketch of what that is and what might be accomplished by doing that.

ANNETTE KREITZER: I spoke with Vern Jones who is the (indisc.) director for GSA, who is from the administration. And he says that as Mr. Lohr is well aware because he did participate in this process, but it is possible for APUC to enter into what is called a Intergovernmental Relation with an arm of another government, the crux of the whole thing is that the entity has to have a direct link to a state university or has to be a U.S. Government entity and NRRI and I called that (Indisc.) don't remember the full name but I do know Mr. Lohr does know...

SAM COTTEN: I can interrupt and say it's the National Regulatory Research Institute.

ANNETTE KREITZER: That's it. And it does have a direct link to Ohio State University and so it would qualify under governmental