

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

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relation (indisc.--coughing) operation and the APUC would have to sign an agreement (indisc.) to sign off on that. So it does cut down significantly on the time line for someone to actually give an RFP to go out and get an RFP. But of course the committee and the APUC and other comers would have to be real comfortable with what is in that contract.

CHAIRMAN LEMAN: And what you're talking about is somebody to actually help us review the proposed RFP and maybe provide some input on what we should actually put out on the street for request for proposal.

ANNETTE KREITZER: That's correct Mr. Chairman. The NRRI does have a web site, I believe it is NRRI.Ohio-State.APU and its real...

CHAIRMAN LEMAN: Are you there?

TELECONFERENCE MODERATOR: No she just disconnected. I'll have to call back.

CHAIRMAN LEMAN: Fred and John, are you still with us?

REPRESENTATIVE DYSON: I am.

REPRESENTATIVE DAVIES: I'm here.

CHAIRMAN LEMAN: Well then, while we are trying to reconnect with Annette, we'll proceed. Anything else from the two commissioners before we get into detail, Dwight?

DWIGHT ORNQUIST: One of the things using the Intergovernmental contracting to put together an RFP and have somebody take some of the work load away from our staff basically being able to help us formulate and put together an RFP and even put it out on the street for us. Would probably help us quite a bit and if we don't have to have our staff side tracked on it, especially if it's going to be a priority. Having a time line that backs up a little bit or allows us more time to do a more in depth and adequate study it makes a lot of sense and I think it would probably get support from everybody in the commission, I know it would get my support. The fact that we're doing such a large endeavor it's going to have a lot of impact in the future, it would be a good idea to do as in-depth a study as we can and hurrying it if it -- to sacrifice quality for speed might be detrimental to a great degree for us. So anything that we could flex on at the end of the time line would be great.

REPRESENTATIVE DAVIES: Mr. Chairman?

CHAIRMAN LEMAN: John, go ahead.

REPRESENTATIVE DAVIES: Were Commissioner Ornquist and Sam Cotten in the room when we had our initial discussion about timing and if they weren't maybe you should just reiterate a little bit what our feelings were and get a reaction from them for that.

CHAIRMAN LEMAN: Commissioner Ornquist was here and I think his response right now is probably consistent with what we talked about. Sam, you weren't here but, all three of us expressed some concern about timing and whether we could even get a significant portion of this study done in time to deliver something by the middle of January which is when we need to have our recommendations to the legislature by our charge and we are just concerned about that, realistically that it can't be done. It would be unwise to force it to be done in that time frame. I bet you could do something.

SAM COTTEN: If you feel comfortable that there is a good product, project underway at that time that may satisfy your requirements to some extent.

CHAIRMAN LEMAN: And I think that is where we are. We think we're maybe fortunate to have it under way and maybe by that time, in full stride which is probably about as much as we can expect and at least that's kind of where we are in it. That's probably your thinking too.

SAM COTTEN: I just want to make one other point and that perhaps Mr. Lohr could expand upon it, because it is a result of a conversation I had with him that just came up, but there are two possibilities with NRRI. I think one of them is we could pay them to develop an RFP or we could attempt to develop an RFP ourselves and then ask NRRI probably pro bono to review and make suggestions as to the product we came up with. So I think you've got a couple of choices there as well.

CHAIRMAN LEMAN: I think because we know our state better than they know our state right now, the second approach is probably the better approach. And that is that we take a shot at what we think needs to be done within our constraints and then we say here you are, give us some inputs, maybe something based on your experience in other states that have gone into this area, what are we missing give us some reaction and if there is a charge for it, I would assume it would be reasonably nominal. Anything else? Annette, you were in the middle of a sentence when you dropped off, talking about NRRI, is there anything else on that, that you wanted to say before we...

ANNETTE KREITZER: I don't think so, Mr. Chairman. I think probably you had the opportunity to find out more about NRRRI during the time I slipped off line. I just wanted to say that (indisc.) they do have a web site and we can get a lot of information.

CHAIRMAN LEMAN: Do you gentlemen have anything else that ... I'm going to go back to -- Representative Dyson I think we'll start with you and let's work our way through the guidelines and get your comments and then maybe precipitate the discussion among us and if, if there are people you want to bring in since I can't see the two of you, just so indicate and we'll try to keep this thing as ordered as possible, but allow you to break in whenever you need to. Go ahead Fred.

REPRESENTATIVE DYSON: Starting down the page here, issues/scenarios to be addressed, bullet two there, competition potential on wholesale level, I would like to look at that a piece of savings from economic dispatch and power pooling. And it seems to me that we can get those wholesale savings kind of either way, but I don't understand how they interplay and I think the study should address that. Let's see, so that was on that one.

CHAIRMAN LEMAN: Could we just halt for a moment and I just want to make sure I understand. Does not the Black & Veatch study have a portion of what Fred just mentioned and as part of its charge?

DWIGHT ORNQVIST: That's the bulk of Black & Veatch's charge in this docket is to do the study on power pooling and economic dispatch.

CHAIRMAN LEMAN: Okay, we certainly wouldn't intend to redo it, but I think we may want to highlight how this study interacts with the other and make sure we are very clear on that as something being worked. Fair enough Fred?

REPRESENTATIVE DYSON: Yeah, but I want to learn from our efforts here what we can do for the consumer or where the potentials, what we can do for the consumer going either one of those two routes. Wholesale competition or power pooling or perhaps some combination and I don't understand how those interact and I would like the study to inform us on that issue.

REPRESENTATIVE DAVIES: Can I break in here?

REPRESENTATIVE DYSON: Sure.

REPRESENTATIVE DAVIES: Real quickly, you raised a really important issue, which is the economic analysis that attaches to that. And

I guess my question is, is Black & Veatch charged to do the economic analysis? In other words from Black & Veatch can we answer the question what percentage of the eventual savings to the consumer will result from each one of these options?

DWIGHT ORNQUIST: I think what we will find is this is an engineering analysis and they probably will address costs, but I imagine it will be more on the level of to the utilities themselves. The overall cost of generating power now and the cost that the utilities will incur if we use economic dispatch and power pooling.

REPRESENTATIVE DAVIES: So I guess, Fred it seems to me that what we would want in the study that we are talking about doing an RFP for would be to take the Black & Veatch as an input kind of at the engineering level and ask them to do the economic analysis with that as a basis, does that make sense to you.

REPRESENTATIVE DYSON: Yeah, I certainly anticipated it as Senator Leman indicated that this study would take advantage of what we learned from the Black & Veatch study and so I've said all I have to say on that.

CHAIRMAN LEMAN: I think I understand the point and we will work at incorporating that thought into the redraft we will have for our meeting in Fairbanks. Next point.

REPRESENTATIVE DYSON: Down under stranded investment what transmission facilities does the state now own?

DWIGHT ORNQUIST: I believe that the transmission facilities that the state owns, well owns, I think they finance the transmission lines and most of them are owned and operated by Chugach Electric, but the financing I believe came from the state. Now if somebody's got a better understanding of it than that I would certainly give into that.

SAM COTTEN: Yeah, I think the northern intertie that, wasn't that fully funded? Jim might even know on that.

JIM PATRAS, HOMER ELECTRIC: Yes, that's...

SAM COTTEN: That's state owned right.

JIM PATRAS: Yes, that's state owned.

SAM COTTEN: Is that the only one that's...

JIM PATRAS: I believe so.

CHAIRMAN LEMAN: Okay, in case you didn't hear that the answer was the northern intertie is fully state owned and the others were either fully or partially financed by the state and owned by others and there is some contract for pay back.

REPRESENTATIVE DYSON: Okay.

CHAIRMAN LEMAN: Those are answers, I think the answers do exist (indisc.--coughing) appropriate to have that documented and spelled out even in the study so a reader will know clearly what we are talking about.

REPRESENTATIVE DYSON: And I think the stranded investment issue is a significant one. My sense is that the ultimate result of some of the competition over ten years from now is going to be the big guy eating the little guys. My concern is about what happens to the long term contract and the debts that the little guys own and I'm not particularly interested in a state made one, and the people of Alaska being left holding the sack here on that obviously. Under reliability, probably it is implied here it says assess how to preserve reliability under competition scenarios. And I would just add safety as well. So it is reliability/safety. Then on the second bullet assess possible handling of peak loads particularly in the winter, I don't see that problem it is hardly even being worth addressing in the study. We have so much over generation capacity in the areas that I see that we would probably have competition out of -- somebody would have to explain to me how that needs to have that much attention here.

REPRESENTATIVE DAVIES: I think there is a concern about that and I think it is easily handled, but I think it needs to be explicitly handled and it is the issue of maintaining the appropriate -- it has to do with peak loads and maintaining appropriate spinning reserve and how you when you have basically people are moving into the market that are just resellers, how you barely attribute the (indisc.) resellers cost structure the requirement of maintaining the spinning load. Now I think that's all doable but it's absolutely imperative that it become in a transparent way so that everybody knows that they are picking up their fair share of maintaining the same reserves that are required for peak loads.

REPRESENTATIVE DYSON: (Indisc.) taking up their fair share of the cost of main....somebody maintaining a spinning reserve and stand by.

REPRESENTATIVE DAVIES: That is exactly what I mean.

CHAIRMAN LEMAN: What we heard from previous testimony from I think it was Mary Ann Pease with Aurora Power, was that they would provide that through contracts and are providing, but we just want to make sure that that is being done to the extent that it needs to be and I think that's what you mean, that's what we mean by that second bullet.

REPRESENTATIVE DYSON: Okay, all right.

CHAIRMAN LEMAN: Annette did you have anything on that as to why that bullets there. Is that -- are we interpreting correctly?

ANNETTE KREITZER: Yes, Mr. Chairman you are, and some of the things are overt and are there for discussion purposes whether or not they should be in there. I'm sure (Indisc.) has some comment on some issues (indisc.) you can interpret several different ways. I guess the important thing is for us to understand from a staff perspective exactly what the committee consensus is on each (indisc.).

CHAIRMAN LEMAN: I think and I understand the direction we are given there. I tend to agree that we can handle it but I think we need to figure out how to explicitly address it in the way that we've just already discussed. So I think you probably reword it to accomplish that. Anybody else have any comment on that point. If you do get it to us. Go ahead Sam.

SAM COTTEN: Just generally on this page? Any of these?

CHAIRMAN LEMAN: Well, Fred was -- we've covered those two sections, now Fred was going to move to another one and then....

SAM COTTEN: I'll wait.

CHAIRMAN LEMAN: Okay, go ahead Fred.

REPRESENTATIVE DYSON: I'm -- under the affordability, really the thing that jumps out here is the public policy call on universal public service, universal services and that's absolutely a public policy issue and that's one that the legislature if we're ever...I think we have a (indisc.) agreement here that we're gonna provide some kind of affordable service, you know, everybody except the very most remote people, as long -- but I think that we as a legislature need to be faced with that decision. Are we going to maintain that position that we are going to make power available. And then the decision that falls on that one once we decide the affirmative on that and decide to go ahead with some kind of competition particularly retail competition. Who is going to be

the provider of last resort? And that one gets to be a significantly more complicated decision, so I would insert after the universal services the provider of last resort. I would like to hear Sam comment on that. Sam.

SAM COTTEN: Sure, well it's an interesting issue and we are dealing with it right now when it comes to telecommunications and there is a specific statutory provision that allows the commission to set up a universal service fund for telecommunications, so that's a way to get there. If you really wanted to get into universal service you could do that instead of power cost equalization for example, and that would require some sort of a surcharge, like we do with telephones right now. I'm not sure if that's the direction you are heading but that's a way to get there that would be a different path then is now followed with this general fund appropriations for PCE. As far as provider of last resort, that is an issue that you must deal with, but I don't know that its automatically going to be a problem here if you for example, if you have a company that provides service in a specific area they have to provide service to everybody in that area.

REPRESENTATIVE DYSON: Who says?

SAM COTTEN: Well that's typically the condition of a certificate that we issue.

REPRESENTATIVE DYSON: That's right. But are we deemed -- are we in danger of moving in a direction here with competition (indisc.) a condition of doing business?

SAM COTTEN: Yeah, we might have to be depending on the ability of a provider. For example if a person wanted to provide electricity on a competitive basis, but didn't have enough to sell to everybody, it is pretty obvious that they wouldn't be able to hit every customer yeah it could be.

SAM COTTEN: [TAPE 1, SIDE B] by design be limited as opposed to a provider coming and proposing to serve an area and again we typically require them to serve anybody that asks for service if they have a certificate.

REPRESENTATIVE DYSON: Yeah, and so what we are looking to you, is we'd like (indisc.) be here. What should we impede when we/if we allow a pilot should we be requiring the competitors to take anybody that asks for it? Power?

SAM COTTEN: I'm not going to respond to that right now, we -- there is an active case in front of the commission, there is an

application to institute a pilot program and I don't think I want to express any opinions on it at the moment.

REPRESENTATIVE DYSON: Yeah.

SAM COTTEN: I apologize for that.

CHAIRMAN LEMAN: But, I think that's fair and I think you should... Dwight.

DWIGHT ORNQUIST: One of the things that comes up under universal service is what's required for that and in the electric industry the biggest requirement or the biggest hindrance to universal service is the construction of the infrastructure so depending on how exactly we structure, you know how we build, if we have competition, how we build it. If that infrastructure the wires can be still be put out there and somehow covered by the costs then we'll have the same coverage as we do now, in fact we might have better penetration for universal service if we incorporate larger areas. It is a valid concern and it is one that can be addressed and in the RFP that certainly should be one of the items that they address, but just to let you know there are ways to take care of it.

REPRESENTATIVE DYSON: And that's really different, I probably have more concern because I represent lots of people who are quite a few people who are quite a ways from the main urban centers and it will certainly be an issue on the edges of the service areas.

REPRESENTATIVE DAVIES: Can I break in for just a second?

REPRESENTATIVE DYSON: Sure.

CHAIRMAN LEMAN: Go ahead, John.

REPRESENTATIVE DAVIES: Another example occurs to me in the context that you are talking about in terms of provider of last resort is the situation where you might have a large enterprise that can generate electricity as co-generation doing some other activities, power or something else. And where they would then have a significant amount they contribute, but clearly they are not designing their operations to be a major supplier, so and quite a -- I guess questions come in that context of how you barely pay them and how you provide that you distribute the benefit of that, possibly lower costs power coming onto the grid. But clearly, they are going to be limited in their scope.

REPRESENTATIVE DYSON: All right last page, under the financial

issues I would like you to add another bullet that says how to deal, I'm thinking that here in the wholesale competition business, how to deal with present long term power purchase contracts.

ANNETTE KREITZER: Mr. Chairman?

CHAIRMAN LEMAN: Annette.

ANNETTE KREITZER: When I talked to earlier, I did tell you that I had to leave at 10:00 a.m. off the teleconference, and I didn't think the operator knew that.

CHAIRMAN LEMAN: And I announced that I have to leave at 10:30 a.m., so we are gonna -- at the most have a half hour more of this work session. Okay, Fred I understand your comment, we have that down.

REPRESENTATIVE DYSON: All right, thanks.

CHAIRMAN LEMAN: Okay, John did you have anything you wanted to add now to our discussion?

REPRESENTATIVE DAVIES: I don't want to go...I think Fred raised most of the detailed issues, I guess I'm still mostly concerned with kind of a more broad scale disposition about time scales and then what/how do we decide as a sub committee or committee I think we are going to need to have more discussions in our meeting here in Fairbanks about which direction we are headed in terms of recommendation and what kind of recommendations to the legislature. And I guess my -- I'm still on the frame of mind that I indicated earlier that I think that we have in place the laws and regulations that allow application for example, we have one pending right now for a pilot project. And I don't think anything we've done in the past or are doing now hinders the APUC in looking at that request, and so I vote that we don't get too much wrapped around -- I don't see a big need for real rapid action on the part of the legislature right now, I think we - rather what I see is the need for really careful consideration of what we are doing. And so I guess my recommendation and I hope that we have a...that we can have a recommendation to the legislature which is a little bit more long term outlook and not so much any kind of knee jerk short term reaction.

CHAIRMAN LEMAN: John are you talking about the overall product of the joint committee or are you talking about this particular RFP and its scope of work?

REPRESENTATIVE DAVIES: Well I guess I have a hard time separating

the two, but I was really talking about the overall recommendation but, still I'm assuming that has an implication then for what we are doing on the sub committee and that would be that I hope that our recommendations of the subcommittee is to put together a very credible RFP process that will have a longer time frame then certainly January, as we have kind of -- I think we have all agreed as a sub committee pretty much that it's going to....that we are going to be lucky if we get a really quality RFP out of this - on the street by the end of December, so I guess that's kind of my recommendations on the sub committee level and I think it anticipates a recommendation to the legislature from the full committee that this is a bigger issue then can be dealt with in six months and that the legislature is going to have to deal with it over several terms I believe.

CHAIRMAN LEMAN: Well, I think that is consistent with the legislature's track record so far. Anything else before we go to Commissioner Cotten. Okay, Sam.

SAM COTTEN: I just want to make one comment, and I spoke about this with Annette, and it had to do with, under on your guidelines, issues, scenarios to be addressed; the second to the bottom there on power cost equalization question. My suggestion, thought, idea on it was that perhaps that could be worded differently to determine the benefits that might accrue as a result of restructuring. But, the way it is worded now it sounds like its sort of a separate question hanging out there all by itself, to assess the benefits of getting rid of the power cost equalization program. And it may be that we could examine the possibility of lesser need for a program like that if you had restructuring, that would tie into what we are talking about here. I think it was good that Fred brought up that business about universal service, because that's another angle that the legislature would be involved with if there was a new direction to take there. The concept of universal services widely held in the United States when it comes to telecommunications and in Alaska we really have a form of it with the power cost equalization and that the attempt is to somehow assure that people have affordable electricity. The way we are doing it right now is with those general fund appropriations and that's almost an indirect recognition of the need for universal service. Glad to see it on the agenda. As you may or may not know the Governor appointed a task force on power cost equalization and I'm a member of that task force and so very much aware that the legislature - the funds that the legislature set aside for that program are almost gone, you will be faced with decisions in that arena this year as well.

CHAIRMAN LEMAN: The money is going to that self help pool that --

what the -- namely the project down in the Wrangell area, is taking....

SAM COTTEN: Well the legislature you set aside some funds a few years ago that funded this program. Now there will be about five or six million dollars left in that fund this year, but an additional source of funds could be the revenue from the Four Dam Pool. But, some of those are going toward the Southeast Intertie deal and some are available for power cost equalization unless the Four Dam Pool people oppose self-help. They'll say we need those funds for our own maintenance activities, et cetra, so that would remove them from the table. But even that's going to maybe 25 percent of the requirements for PCE, that's only four or five million dollars, that would be available....

CHAIRMAN LEMAN: So, what happened to the other moneys that we had projected that the moneys would be available at the level of what seventeen million dollars a year. Then that may have even been when you where in the legislature.

SAM COTTEN: No that was right after I left. Yeah, I think you guys did that in '83.

CHAIRMAN LEMAN: '93.

SAM COTTEN: '93.

CHAIRMAN LEMAN: What happened?

SAM COTTEN: Well the fund is just depleted now.

CHAIRMAN LEMAN: How did it get depleted?

SAM COTTEN: Well, seventeen million dollars a year times how ever many years it was, that was all that was in there.

CHAIRMAN LEMAN: But 'adn't we projected that it could last indefinitely, or it never was the projection.

SAM COTTEN: No you didn't fund it to that level -- your statement from the legislature was that the program should continue through the year 2013, but the actual cash that was put on the table didn't/wasn't expected to last that long.

CHAIRMAN LEMAN: I'll get into that....

SAM COTTEN: That's a separate question, I'm sorry to divert your attention from what's on the table today, I think it is a good, it

could be an important element of your deliberations.

REPRESENTATIVE DAVIES: Loren?

CHAIRMAN LEMAN: Yes, John.

REPRESENTATIVE DAVIES: I guess, maybe we should move the discussion right now, because you've got to leave here pretty soon to what our next step should be, and how do we get the RFP going. It seems like we had, I agreed with your earlier comment that we should construct a draft RFP and have the NRRI outfit evalu -- you know, plus the APUC of course evaluate that draft. How do we get to the stage of having a draft?

CHAIRMAN LEMAN: I think we can take a crack at it and have something done in time for us to look at in Fairbanks on the 16th.

REPRESENTATIVE DAVIES: We means you and Annette?

CHAIRMAN LEMAN: And Janet, and staff to Representative Rokeberg and the APUC staff.

SAM COTTEN: We volunteer our staff to assist in the project.

CHAIRMAN LEMAN: And we accept the offer. I may be an engineer and a consulting engineer but this area is - it stretches me to the limits of my capabilities.

REPRESENTATIVE DYSON: Loren.

CHAIRMAN LEMAN: Yes, sir.

REPRESENTATIVE DYSON: My former staff member Pat Harman is really quite knowledgeable in this area. He's now moved down the hall and working for Representative Pete Kott, but I volunteer him to help as well.

CHAIRMAN LEMAN: Okay, well and I accept that. So what we are saying is that here in the next eleven days we need to get these inputs in and get it reworded and it may not, it still won't be a final version at that time, but we will incorporate it -- some of our concerns and comments from today and whatever else people have and have a draft that the full committee can see and I think the intent is that we have it even distributed before that meeting in Fairbanks so then we can discuss it in Fairbanks. Commissioner Ornquist.

DWIGHT ORNQUIST: Just a couple of things I would like to put out

or pro-offer (ph) for inclusion in the RFP as well, of course anything that we do we want to consider the safety, reliability, quality, sustainability of service, all of that just like we do now. But, in addition, when we go out to do the RFP the overall question is going to be how can Alaska benefit from restructuring the electric industry. In thinking of that we need to review the existing system and the RFP needs to address the fact or be very specific that there may not be one structure, one competitive structure for the entire state that in some cases or maybe in all cases the existing regulatory structure might be correct, I don't think we will find much of that and I think competition has a role, but the study should address it I believe and look at various forms of competition and various structures. I agree on the long term power contracts need to be addressed specifically, we might want to consider performance-based regulation in lieu of full-blown competition. I believe the legislature will be very interested in having the study address what kind of regulatory oversight it will want to have us doing after competition or after restructuring. Probably a portion to address definition, measurement and recovery of stranded costs.

DWIGHT ORNQUIST: That in mind is just because something isn't used after restructuring occurs doesn't mean its necessarily stranded cost automatically. And we need to define what fits in that. I think anybody we choose or if the RFP should probably for qualifications of the bidders we might want to make them large enough so they have had international, national and state level all three and the reason I say that is at the international level a lot of different countries have addressed restructuring and competition in electric way before the United States began looking at it. So companies that have been helping other countries probably have a head start on seeing the benefits and pit falls. And maybe -- well that is probably good enough there. One of the other items I think is very important would be to address the impact that new technology has had, will have and would have immediately on restructuring. We may find that if we restructure one way, we won't see new technology coming in and if we restructure other ways it will encourage new technology to come in as soon as it is economically viable. The point made about universal service is a good one I think that is a state call, the -- at the ... in the telecommunications industry there is a Congressional Mandate from the Telecommunications Act of 1934 and it was carried forward in the Telecommunications Act of 1996. In the electric industry we don't have such a mandate at the congressional level, so it is a state call on that and that is something the legislature should and does have complete authority to define what should be occurring. I believe that is a policy call that the legislature will want to be making. The last thing that I can think of right off hand is

defining and identifying what we call cherry picking. In reality if we are doing our job right as regulators there are no cherries out there, because we'll have the costs or the price for service down to the cost as close as possible for every one. In reality, we probably have a number of implicit subsidies, those should probably be identified and maybe at that point the legislature needs to decide if we want subsidies do we want them explicit or implicit. Maybe the legislature would decide to oversee and take care of subsidies or perhaps hand them down to us, but it should be something that's addressed, and all the information there for you to make your decisions. That's all I have and I will scribble this stuff...I scribbled it up now, but I'll type it up I guess and hand it out, the stuff that I have down here, to anybody who is interested in having it.

CHAIRMAN LEMAN: If you could get that to us, it will help us integrate some of those topics into this/these guidelines. Go ahead Fred.

REPRESENTATIVE DYSON: Or in the committee members Dwight brings up several significant questions that we owe discussion here, because I think he just eloquently in about three breathes widely expanded the scope of what we are going to do here. Every one of the issues he raised I think are significant, interesting and some of them have profound implications but I think they expand the scope of what we are talking about here, beyond the competition thing. If our scope is what we are going to do long term in restructuring the power industry I guess he's exactly right those are all the issues that we need to deal with, but boy what I heard him just say makes this a bigger job.

CHAIRMAN LEMAN: Probably what we should be doing and we maybe hearing back from our friends at NRRI and other friends in the industry is that this scope of work is far to large for the funds that we have available and the time that we are expecting results so that's probably going to be the reaction and I fully expect it to be.

REPRESENTATIVE DYSON: I'm also interested with the incentive, what do you call it...

BOB LOHR, APUC: Performance-based.

REPRESENTATIVE DYSON: Performance-based incentive. And I'm also quite interested in how do we get - if the threat of competition doesn't get these folks really motivated to do all the innovative things they can do to better serve their customers cheaper, what does, as Dwight very properly brought up that question and it is

one that I was, have been kind of pursuing but somewhat separately and I have thought of linking it into this contract. I think it is a very valid one for us to work on, but I think we need to make a policy call here on whether to put it into this study at this time, and I think the right on the money may be unlimited for us.

REPRESENTATIVE DAVIES: Can I comment on that?

CHAIRMAN LEMAN: Go ahead John.

REPRESENTATIVE DAVIES: I think at this stage of game we ought to be putting everything down on a piece of paper that people raised. I would hope, Loren, as you guys put this together that you err(ph) on the side of putting more into it rather than less and I agree that we are going to have to pare it back, but I think we ought to have on some of these more major issues, I think we ought to make the full committee aware that these are points that we need to make.

CHAIRMAN LEMAN: I have some questions I'm going to throw out that are fairly basic, but I think it really impacts how this is conducted. First one is who is the owner? Who is the project director for the study? Is it the legislature? Is it the APUC? How do we work that out, because we want to make sure whoever the consultant is knows who their, essentially who their boss is, who they report to and that is something we need to figure out. Whether the APUC will take the lead, the legislature, that's not necessarily something we need to decide today, but it's I think it is a very important question. The second thing is timing for all of this, we have touched on it, but we haven't fully agreed and nor necessarily do we need to decide today, we need to address that somehow and the funding level is another issue, we've kind of talked around it and we've talked in generalities and something of this magnitude may cost what the numbers (indisc,) what one hundred fifty to two hundred thousand dollars I think is what one expert said last time. And then the last item is the process for selection of a consultant if we go through a process where we have them submit statements of qualifications and pare that down to a short list that actually receives the detailed RFP and respond to that and what we have interviews, what's the schedule and the selection committee the whole process for selection and how we get there is an important one, because if we are asking every interested entity in the world that might mention that they are here to prepare a detailed response and there's a dozen who do, there's a big investment just in responding to the RFP and maybe we want to have a process that pares that down so it makes our job easier and it makes their job easier. Anyway, those are my comments.

REPRESENTATIVE DYSON: Well said.

REPRESENTATIVE DAVIES: I agree with all of that stuff. Can I offer a couple other little specific things?

CHAIRMAN LEMAN: Go ahead.

REPRESENTATIVE DAVIES: Back to the issue of stranded investment, one of the things I think we need to explicitly deal with in the RFP is the issue of depreciation, on the part of the various utilities that own existing plants and distribution structures. And that gets to the question of how you, how do you actually calculate what this investment is, but the issue of depreciation is a major one. Some of these plants have been in place for 30 or 40 years and others are more recent and that there has to be some recognition of that as opposed. The other big issue I think that comes into play in that context is the issue of states investment and should (indisc.) state put into the interties or the Four Dam Pool, those kinds of things, there are all these legal issues that are already in place but just as a policy issue it should be (indisc.--other people talking) stranded investment.

REPRESENTATIVE DAVIES: And now I guess I would like to go back to Fred's' question about do we need explicit Legislative action on the issue of universal service and I would like to put that question to Sam and Commissioner Ornquist, could you comment on that do you think that's something that the committee should recommend should that be a full Legislative determination someday. Should it be a recommendation of the full committee what kind of Legislative action do we need on ... the question of universal service?

SAM COTTEN: Mr. Chairman.

CHAIRMAN LEMAN: Commissioner Cotten.

SAM COTTEN: My only point there was I think that if you wanted to create a universal service fund, then that would require specific Legislative action. Right now, as I mentioned the concept of universal service is sort of - is being handled obliquely through your funding of the power cost equalization program. Now if you want to talk about universal service in a different setting I don't really -- I guess I'm not sure how it might apply in for example in the Railbelt. Right now, I mean Dwight points out there are implicit subsidies right now, if you live right next to the power plant, it is cheaper to deliver you power. If you live 10 miles out in South Anchorage or Eagle River or where ever your -- it's inherently going to cost more to deliver you power so they charge

one rate for each service area probably, I guess I'm not clear as to what other universal service applications you are interested in.

REPRESENTATIVE DAVIES: Well I guess what I'm concerned about is the -- you do now as Commissioner Ornquist indicated when you get a certificate and start to operate in the area you -- there is an explicit requirement that you serve everybody in that area and that your prices are controlled by the regulatory group. If we were to move toward deregulating that or restructuring that it seems to me that that's a question of what are those requirements going to be in future are you going to allow if you are closer to the power plant are you going to have lower prices. You almost -- if you imagine going to the smaller and smaller power plants one of the...and smaller, smaller service areas, clearly that's going to be something that's going to come into play, that you can offer a cheaper price if your just trying to serve a very small homogeneous area. How do we handle those things and how do we handle those in the context of universal service? And my specific question is do you think that we need explicit Legislative consideration that policy issue at this stage or is that something we should put off for the future or does the existing structure handle it okay?

SAM COTTEN: I think the existing structure handles it. If the legislature changes the structure or requires a change to the structure, then I believe you have to have -- that has to be a point that considered and dealt with, how you deal with it I wouldn't speculate at this point, but if you change it and don't require people to just to serve in their areas or somehow change the existing structure, you can't let that idea just be forgotten. At the moment, I don't think you need any change.

CHAIRMAN LEMAN: Just so I understand, currently, in a service area requiring to serve but they are not required to charge the same price. For example if I wanted service at the end of a quarter mile road and you needed four poles or averaging (indisc.) takes then the utility has the right to charge me for the replacement of those poles being in service and somebody else (indisc.--coughing) transformer then that would be a different cost. Is that essentially how it operates today and that's consistent with universal service?

SAM COTTEN: They have to file a tariff and so one of the tariffs that they'd file that would be applicable would be the line extension policy. And so, therefore, you'd be charged a certain amount if they had to expend certain capital resources, but I believe that they still have to -- in a service area still pay the same amount per kilowatt hour. So you pay the operating, the bill is the same but you want them to put a big bunch of poles out to

your property?

CHAIRMAN LEMAN: Then you pay for that.

SAM COTTEN: Yes, essentially, that's the case.

DWIGHT ORNQUIST: And if I may throw in there, that's actually not consistent with universal service, as we know it generally speaking. Because generally speaking with universal service you'd get connected up for the same rate, but in electric you would charge more for certain. The idea is different classes of customers pay different rates and I think that's where we find the most implicit subsidies and that's where we find the most creation if you can say cherries to be picked.

CHAIRMAN LEMAN: But a lot of that comes about because of either the size or the timing of the load or things that create certain benefits to providing through out the cent a kilowatt hour for a certain type of customers because of what the impact then they have on generating system or something else.

DWIGHT ORNQUIST: Absolutely.

CHAIRMAN LEMAN: Okay, we are running out of time, I want to make sure in the next three minutes we can at least get whatever direction to us and our staff so we can take another shot at this. Any other comments on anything we ought to get into this?

BOB LOHR: Mr. Chairman I haven't heard mention the geographic scope of this study and I'd like the committee to grapple with whether it should be Railbelt with the most immediate promise for potential benefits for competition might be or whether it should be state wide which again affects the cost, the timing, et cetera.

CHAIRMAN LEMAN: That's a very good question. My opinion is eventually, and I agree with John that have everything on our plate and then decide okay we're not going to be able to address everything but start peeling back things we can't address. That would be an area where I would see would be pretty obvious. The initial study in my opinion ought to focus on the areas of the highest potential and clearly there are areas of Alaska that are at least in my opinion clearly that are not candidates for competition. But there are other areas in my opinion that are. We differ on each...on that for example Anchorage I would say ought to be at the higher end of that list and I would suggest that McGrath probably should not be, just to point out a couple. Anything else?

SAM COTTEN: Your next meeting is in Fairbanks?

CHAIRMAN LEMAN: Yes, we next meet in Fairbanks on Wednesday, September 16th, at 10:00 am, at the LIO.

JANET SEITZ: Fairbanks LIO.

CHAIRMAN LEMAN: Fairbanks LIO and the schedule is that we will take public testimony and I believe testimony from various utilities that have been invited and we are going to discuss this draft RFP issue.

SAM COTTEN: Are you going to have - attempt to have a straw man there for people to shoot at? A draft RFP?

CHAIRMAN LEMAN: I hope so, I hope that we'll have -- well we can at least have this with the inputs that we got from today and can at least have that and maybe take a shot at some of the other things in it, in the overall synopsis. Any other issues for the good of the order? Thanks for participating and we will -- if you have any other inputs, I'm going to be traveling a fair amount next week, I think I leave on Tuesday, I'm not sure if it's Tuesday evening or Tuesday morning, but if you have anything else you need to give to me call me on Monday, otherwise Annette on my staff and I'll be calling in from wherever I am and checking with her and she can handle some of that for the rest of the week. And the following week I'll be back in town and we can work it at lease coming up with a good final draft. Thanks, have a good day guys.

ACTION

The committee took no action.

ADJOURNMENT

The meeting adjourned at 10:30 a.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

Oproost 1987

COMMITTEE: EUR Subcommittee DATE: 9/4/98 TIME: 9:10 am

SUBJECT: RFP

MEMBERS: Senator Leman (Chair), Rep(s) Davies, Dyson
by teleconference

SPEAKER	TAPE#	SIGNIFICANT INFORMATION
Sen. Leman	001A	Called EUR meeting to order at 9:10 am.
Rep. Dyson	018	Begins to make comments - "Do not fit on a bumper sticker".
Sen. Leman	020A	Wants written or meet w/ Rep. Dyson to get further comments Rep. Dyson w/ Sen. Leman talk back & forth.
Sen. Leman	038	Asks if Annette will be hooked up wants to get her on line.
Rep. Davies	045	Begins to speak. Talks about time frame, study guidelines.
Sen. Leman	065	Begins to speak, action taken - time-line.
Rep. Dyson	089	Time line is unreasonable. Wounded about road.
Sen. Leman	094	RFP results
Dyson	096	Timing
Leman	097	Brings up APUC rep's.
Dyson	100	Agrees
Davies	101	Concerned about recommendations. Don't move ahead too quickly.
Dyson	120	Agrees - unique situation in AK. Brings up Comp. be cautious. 90-95% savings to consumers come from wholesale comp.
Sen. Leman	138	Shows many of up. concerns, more ambitious in schedule. Do not place barriers in way of Leg. APUC.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
S. Leman	146	no excuses. Looking for solution
R. Dyson	153	Do not use study as substitute
S. Leman	156	possible to design pilot w/out study.
Dyson	162	His concerns about starting limited comp w/out further study.
Leman	170	Doesn't have all the answers.
Dyson	172	re-states his concerns
Davies	173	shares concerns. (go for wholesale comp. before retail).
S. Leman	182	NO prohibition on whole sale comp.
Dyson	187	more of product of marketplace doesn't agree w/ this. Brings up monopoly. Cost plus contracts - no risks. Get companies out of contract. Won't argue on that point.
S. Leman	206	feels there's another reason. NO law that would hinder mindset of monopoly. "ventures"
R. Davies	209	Reg. Comm. come to table & join discussion. Any more comments
S. Leman	227	Sam Dwight pls join us. Bill John also joining. Annette also on line
S. Leman	233	no comments
Annette	241	makes opening comments. "Phil Bearet"
Sam Cotton	244	Did speak w/ him
Annette	253	ANNRT, Annette go ahead & brief Comm
S. Leman	256	Vern Jones, spoke w/ go into what Vern told her.
Annette	260	

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Annette	268	Continues,
Sam	269	clarifies what this is,
Annette	270	continues w/ conversation
Yeman	277	Review RFP, input.
Annette	280	w/ NRE, Ohio - Edu, continues
Yeman	284	lost Annette, will re-connect
Dwight	289	Inte-governmental contracting - goes into. Would help cut down on staff time makes sense.
R. Davis	306	Who was present when comm. meeting started, pls. brief who wasn't
S. Yeman		does bring Sam up to speed.
Sam	319	talks about started project see where it goes
S. Yeman		makes comment
Sam	326	RFP, 2 choices
S. Yeman	334	2nd approach letter.
Annette	345	Doesn't have much more to say
Yeman	349	Start w/ Dyson work thru guidelines
Dyson	357	begins to go thru guidelines, #2. "economic dispatch", power pooling"
S. Yeman	369	Black, Veatch Study
Dwight	372	Does go over Dyson's questions
Yeman	378	this report will address Dyson's concerns
Dyson	379	Consumer
Davis	387	Economic analysis. Black, Veatch
Dwight	393	Engineering analysis (Black, Veatch) more toward cost.
Davis	400	Study, RFP Black/Veatch cost, also do expense

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Dyson	404	says he understands
Jeman	410	will have info at Sept 16th meeting
Dyson	412	what does State own
Dwight	414	CEA own transportation
Sum	422	clarifies
Jeman	423	back forth
Sum	424	!!
Jeman	425	Western inter tie fully owned.
Dyson	434	Stranded investment.
Davis	459	Voices his concerns (spinning reserves) Resellers.
Dyson	473	Spinning reserves
Davis	476	Exactly
Jeman	477	Contracts, Annette comments
Annette	486	alot is just for discussion purposes. Staff perspective
Jeman	494	understands direction, how to address
Sam	503	Bury up any pts? Jeman, Dyson goes 1st.
Dyson	507	universal services, public policy issue. 'Last resort provider'!
Sum	537	Comments on this 'real' universal services, must deal with this issue
Dyson	561	back & forth on this issue
Sum	565	on Pilot Program
Sum	000/B	continue
Dyson	003	Asks question on Pilot Program
Sum	006	Cannot comment case pending
Jeman	009	Says this is appropri.
Dwight	010	Goes into universal services.

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Dyson	019	More concern, Represents people who are not in urban areas
Daves	023	provider of last resort. Bump up to generation, fairly pay, benefits
Dyson	032	financial issues ^{need to} how to deal w/ present long term power projects.
Annette	037	has to leave this comm.
Leman	041	have comments down
Dyson	042	I'm done.
Daves	043	Time Scale, need more discussion on this. In place laws, regulations pilot project, doesn't hinder APUC. Careful consideration. Recom to Leg. Long term in outlook
Leman	061	Overall joint Comm. on specific RFP
Daves	063	wants to put together RFP go further longer timeline than Jan 1999.
Leman	074	Consistent w/ Leg. track record
Sam	076	Power cost equalization. Perhaps worded differently. Now. appt task force on equalization Sam is on this task force
~~Yeman~~	~~102~~	~~Where money is going to. Self help~~
Yeman	102	yes but 4 to 6 million will be left over.
Sam	104	
Yeman	112	What happened to other money \$17 million
Sam	116	Depleted.
Leman	118	projected
Sam	119	Program cont's 2013 among other projects

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Sam	125	to last
Davis	125	more discussion to next step Draft RFP.
Leman	131	Can take "crack at it" make proposal to ^{Sam}
Davis	133	Who?
Leman	135	Annex, Legat, Deanna
Sam	136	Offers his Staff's help
Dyson	139	Offers Pat Harmon's help
Leman	143	Goes over input, will have discussed before Sep 16 th meet
Dought	149	Safety, reliability. How can AIC benefit from rest. Review Sep. Look at various structures, comp. contracts, etc. Impact of new technology
Leman	209	Get those comments to us
Dyson	211	brings up several issues, comments.
Leman	223	NRI, maybe hearing from them & others. Brings up time line, etc
Dyson	228	concerned ...
Bill	230	brings up item
Dyson	231	continues w/ statement
Davis	241	Write everything down. Put more out less in beginning
Leman	248	has questions, basic, who's project director? figure out APUC, Leg. Timing for all of this, Funding level. Process for selection of consultant.
Dyson	277	well said.
Davis	278	Agrees with, has a few additional comments investment, Depreciation

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Davies	289	State involvement, legal issues, policy issues.
Leman	296	okay
Davies	297	Universal service. Recomm.
Sam	305	Create universal service fund. needs Leg. action. Or, not sure how this would apply to railroads. Different rates for different service areas.
Davies	321	Bumps up contracts.
Sam.	340	Existing structure maintains this.
Leman	348	Asks for clarification on costs.
Sam	357	Talks about tariffs.
Dwight	364	Not consistent w/ universal service.
Leman	376	make comments, bump up time limit to meeting any more comments Railroad, statewide?
Boko	383	
Leman	389	Get more info, then pare down. highest potential. Not candidates (areas) for competition. Someone.
Sam	404	Next meeting
Leman	405	Sept 16th Lustrak 210 goes over schedule, etc.
Sam	412	Shawman, Draft RFP
Leman	416	At least have RFP (Draft)
	421	Any other issues
Leman	423	Thanks everyone for attending, call S. Leman on Monday talk to Annette, (S. Leman traveling)
S. Leman	435	advising meeting at 10:30 am.

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



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State of Alaska

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Sam	357	Talks about tariffs.
Dwight	364	Not consistent w/ universal service.
Leman	376	make comments, bump up time limit to meeting any more comments
Belo	383	Railroads, statehood?
Leman	389	Get more info, then pare down. highest potential. Not candidates (areas) for competition. Someone.
Sam	404	Next meeting
Leman	405	Sept 16th Lantark 210 goes over schedule, etc
Sam	412	Shawman, Draft RFP
Leman	416	At least have RFP (Draft)
	421	Any other issues
Leman	423	Thanks everyone for attending, call J. Leman on Monday talk to Annette, (J. Leman traveling)
Leman	435	adjourns meeting at 10:30 am.

**COMMITTEE:**

Subject of meeting:

PLEASE PRINT!

ADDRESS (MAILING) & (ZIP)**PHONE**

REPRESENTING

DO YOU WANT TO TESTIFY?

[illegible]

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
September 16, 1998
10:00 a.m.
Fairbanks, Alaska

COMMITTEE CALENDAR

Public testimony

NOTE: Due to a recording malfunction, tapes are not available. Handwritten log notes were taken. Written testimony and witness registers are available in the Legislative Reference Library.

PRESENT

Members present were Co-Chairman Sharp, Co-Chairman Rokeberg, Senator Leman, Representative Austerman, Representative Davies, Representative Dyson. Members absent were Senator Adams and Senator Taylor.

COMMITTEE TAPE LOG A Side 11

COMMITTEE:

Elect. Util. Task Force

DATE: 09-16-98

TIME: 10:00 a.m.

SUBJECT:

Electrical Restructuring

MEMBERS:

Co-Chair, Sharp, Co-Chair, Rokeberg, Sen. Lemaire, Rep. Astorino, Rep. Davis, Rep. Dwyer

SPEAKER	TAPE # 2	SIGNIFICANT INFORMATION
Co-Chair Sharp	001	Call to Order
Wilson	010	Called Roll
Sharp	024	Explained Committee mbrs positions
R. Rokeberg	040	Thanks Com. Mbrs for work on Rpt.
Sharp	066	Mnts & mins. approved
Guest	084	I picked up to testifi 4pm APUC
Sharp	089	What
Cittaro	091	APUC intro mbrs.
Rokeberg	095	Mr. Conn
Guest	098	Yes
Rokeberg	099	Rec'd - how to mbrs
Sharp	104	Let's ease
Sharp	108	3 2 Dec. 7 p.m. Now 1st
Brewer	127	Brewer City = Aurora Power
Sharp	175	Spk up please
Brewer	176	Continued
Sharp	228	Ward up
Brewer	231	2 more mnts.
Sharp	259	Thank you
Dyson	261	Who know how introduced
Brewer	262	Intro Self
Dyson	263	Implication - Single - let's get it
Brewer	268	
Dyson	282	Heard yes
Brewer	283	
Sharp	284	Other questions?
Davis	285	3 ques. Mbrs - moving
Brewer	294	Did not mean to imply
Davis	305	One more bring Committee

09-16-98

Tape 1
Side A

PAGE: 2

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Brenna	321	Utilities only ones that are participating
Davies	339	1st bus
Shup	340	Rep. Rep. Brown & Brown's sons
Rokeberg	346	Mr. Cross' time
Shup	350	Is that all with you Mr. Cross?
Coon	351	Whatever you say
Maxwell	354	My name is Rob Maxwell
Shup	404	Rob Dysan?
Dysan	405	Will be interested
Maxwell	407	Now road - schools
Dysan	415	or smallest bus
Maxwell	416	We have
Dysan	419	Not what I heard you
Maxwell	420	My understanding
Dysan	428	So they did
Maxwell	432	Well it's interest
Dysan	434	Is the public likely
Maxwell	436	I think they are
Dysan	442	You want (ask) my question
Maxwell	443	As the public
Dysan	444	Should be changing
Maxwell	445	It is complicated
Shup	446	Rep Rokeberg?
Rokeberg	455	Mr. Maxwell's truck by you
Maxwell	457	Please go to be creek (S)
Rokeberg	472	Co-Chair of Mr. Maxwell
Maxwell	473	Or he may have no
Rokeberg	477	But they other have
Maxwell	482	All questions that need to be
Rokeberg	486	Mr. Chair if I may
Maxwell	489	If we're going to open
Shup	493	Also Sam Culture
Cotton	495	Thanks Mr. Chairman

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Sharp	502	OK thank you well
Court	505	Thank you very much Mr. Chair
		Tape A Side 2
Sharp	676	Comments?
Rokeby	677	Thank you Mr. Chairman
Court	691	well I think
Rokeby	712	Answered my questions
Davis	713	I appreciate that
Court	731	he hasn't reached any conclusions
Sharp	756	Any more comments? See Lemay
Lemay	757	Steve, I appreciate your comments
Sharp	786	Since Mr. Court brought it up
Edwards	810	Good Morning, let there be testimony again
Sharp	888	OK any comments?
Rokeby	899	Thank you Mr. Chair Mr. Edwards
Edwards	910	Yes I would appreciate you
Rokeby	959	Thank you King called. Some question
Edwards	964	To my knowledge there is no
Rokeby	983	Mr. I interject?
Edwards	985	I object Sharp but yes
Rokeby	989	Now it is your
Edwards	990	Roughly down to Solodov
Rokeby	996	If you didn't have
Edwards	998	Yes, but really
Rokeby	1001	
Sharp	1003	Repp Davis
Davis	1004	Let Mr. Brewer let
Edwards	1011	we are very public minded
Davis	1021	I appreciate your
Sharp	1023	Rep. Davis
Davis	1024	Yes I heard you
Edwards	1027	Well

09-16-98

Tape 2
Side A

PAGE:

5

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Rokeby	064	Interruption
Hansen	066	Interruption pretty much
Rokeby	073	low-flying test level
Hansen	077	
Rokeby	088	Ok test, launch will be fine
Hansen	099	Heavy Coal Plant
Rokeby	121	What happens with the
Hansen	124	the initial study
Rokeby	126	What happens if I take
Hansen	130	be maintained
Rokeby	138	Say there was a clear break
Hansen	143	It depends on how much
Rokeby	148	military
Hansen	150	They have new plots
Rokeby	154	my last question
Hansen	159	One of the nice things about being a Corporate
Rokeby	178	What is your position
Hansen	185	I don't believe he has a position
Sharp	199	Thank you I would like to get
Cola	206	Thank you my Name is Mark
Sharp	286	Sen. John Rep. Dysan Rep. Davis
Lewis	287	We are very happy to be here
Kohler	299	Possibly if it were not for
Dysan	314	I think you raised my question
Kohler	314	The APIC will have
Dysan	323	but since I understand what you are
Kohler	323	I suppose I would like
Dysan	330	But, it did how can you say
Kohler	332	All whole-salers
Davis	334	Have you had a chance
Kohler	337	I saw it for the 1st time
Sharp	341	I have one more person signed up
		Mr. Gruchic

Recessed for lunch 12:02 p.m.

SPEAKER	TAPE #	SIDE 1	SIGNIFICANT INFORMATION
Sharp	353		Call Committee back to order
Giuchici	358		My name Giuchici 115 Dubau
Sharp	392		Distinction Comets?
Dyson	393		Name? Sorry I was late
Giuchici	402		I came to Dist.
Rokberg	406		TO clarify a point
Lemay	414		has there any P. I. B. E. results
Sharp	414		Any other questions or comments?
Lemay	417		Thank you Mr. Chairman - Santi
			Lemay presents RFP Study
Cotton	436		Mr. Chairman, he is having trouble here
Lemay	439		Can you hear him?
Rokberg	524		Thank you Sen. Lemay, I think it would be
Lemay	530		I could, we might have had
Rokberg	545		Thank you Sen. Lemay just to put forward
Lemay	557		Mr. Chairman, I would like to thank
Rokberg	582		Final report, circulation
Lemay	584		Under that schedule
Rokberg	587		When would you report
Lemay	584		I just want to understand
Rokberg	592		Let me clarify
Guatemala	015		I don't mind the time from now
Sharp	37		Complex of points, since the final
Lemay	42		That's the best way I
Cotton	48		Sorry, what?
Lemay	51		Who should be read
Cotton	54		Happy to provide statement
Sharp	62		My other question was
Cotton	88		Yes Sir, complex of points
Sharp	118		Yes Sam, But Sharp, that was my
Dyson	127		See Sharp it seems to be this is unusual
Sharp	146		I would like to hopefully to make clear
Lemay	158		Maybe that's the

Side 2
will reset

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Bestman	160	Confused to begin with
Rokobeg	174	Well it seems to be a study
Davies	181	I'm not a lawyer or don't know
Cotton	195	Well he has prohibitions
Jennet	218	Can you give us a time
Davies	221	make... because of that
Rokobeg	240	I agree with that
Bestman	246	Are we proposing to give
Shup	247	No
Rokobeg	248	The problem is
Bestman	259	Mr. Chair you just
Rokobeg	261	as it has already been
Jennet	268	Mr. Chair P. M. (S. P. M.)
Rokobeg	276	Do we need to have legal counsel
Cotton	279	Mr. Chair your right
Rokobeg	287	I understand you correctly
Cotton	291	that would be one way
Rokobeg	295	Let me ask the from Committee members
Dyson	304	Do you mean that? This
Rokobeg	307	We would ask Contractor
Dyson	310	Only reservation I have
Rokobeg	316	Some policy issues
Dyson	318	Wholesale, detail
Rokobeg	327	Let see
Dyson	330	Cotton can have to do something
Davies	338	Well the recommendations he has here
Cotton	371	I don't know if I know the
Rokobeg	376	Any further comments
Jennet	387	I think we need to re define work scope
Rokobeg	400	Commission Cotton Sir
Cotton	407	Right, my belief APUC
Rokobeg	412	You believe that
Cotton	415	Yes and it would be my

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Eto? Dir	424	Yes that's basically it
Cotton	434	Mr. Chairman I just want
Eto? Dir	438	That's beyond 3 the writer's to want
Lema	442	Mr. Jones We talked about this
Cotton	455	Mr. Chairman that's why
Lema	458	I think that's fair for RFP
Rokeberg	468	Rather that Subcommittee through process
Shup	472	Sub Committee good representative
Rokeberg	473	
Lema	478	Yes, probably somebody in legis
Rokeberg	480	2 RFP
Lema	481	
Rokeberg	482	It's there in Committee
Cotton	483	to Sir
Rokeberg	492	Anybody in Committee has Committee
Cotton	493	Yes I have a Committee
Rokeberg	504	Mr. Cotton Sir do you have the
Cotton	506	I'm sure right at it
Rokeberg	513	In the meantime I assure you
Cotton	519	Are you speaking of some
Rokeberg	523	Mr. Cotton no
Rokeberg	525	It is my understanding
Rokeberg	529	I think basically
Shup	536	Sub Committee
Lema	538	Somebody earlier today Mr. Edwards
Rokeberg	543	Anybody in the House writer
Lema	546	What do you think
Rokeberg	549	2-3 weeks
Shup	551	make Subcommittee to you
Lema	553	at home call office
Rokeberg	555	Any further comments
Cotton	556	
Rokeberg	560	Thank you

Meeting Adjourned 2:44 p.m.

ROLL CALL

	YES	NO
Co-chair Rep. Rokeberg	✓	
Co-chair Sen. Sharp	✓	
Sen. Adams		✓
Sen. Leman	✓	✓
Sen. Taylor		
Rep. Austerman	✓	
Rep. Davies	✓	
Rep. Dyson	✓	

09/16/98
11:24:28

Anchorage
#3

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
TCN:80902 SCHEDULED FOR:09/16/98 10:00 TO 16:00
PUBLIC HEARING (JNT) ELECTRIC UTILITY RESTRUCTURING

LTN1150
BY:ANC
FOR:ANC

LOCATION: ANCHORAGE

ELECTRIC UTILI MR	STEVE	CONN	AKPIRG	TESTIFY
ELECTRIC UTILI MS	JANET	SEITZ	REP ROKEBERG	OBSERVE
ELECTRIC UTILI MR	SAM	COTTON	APUC	TESTIFY
ELECTRIC UTILI MR	PAUL	MORRISON	APUC	OBSERVE
ELECTRIC UTILI MR	JIM	POSEY	APUC	OBSERVE
ELECTRIC UTILI MR	BOB	LOHR	APUC	TESTIFY
ELECTRIC UTILI MR	RAY	KREIG		OBSERVE
ELECTRIC UTILI MR	PHIL	STEYER	CHUGACH	OBSERVE
ELECTRIC UTILI MS	VIVIAN	KINNARD	CHUGACH	OBSERVE
ELECTRIC UTILI MS	PATTI	HARPER		OBSERVE

09/16/98
10:11:31

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)

LTN1150
BY:JNU
FOR:JNU

TCN:80902 SCHEDULED FOR:09/16/98 10:00 TO 16:00
PUBLIC HEARING (JNT) ELECTRIC UTILITY RESTRUCTURING

LOCATION:JUNEAU

ALL ITEMS	MS	ANNETTE	KRIETZER	LEMAN'S STAFF	OBSERVE
ALL ITEMS	MS	PAT	JACKSON	ADAMS'S STAFF	OBSERVE

LTN1100-R01

LEGISLATIVE TELECONFERENCE NETWORK

PAGE 01

10/14/98

14:14:38

TCN: 80902

DATE & TIME: 09/16/98 10:00 TO 16:00 STATUS:7 STATS. IN

**** ORDER SUMMARY ****

SPONSOR: MISC (JNT) ELECTRIC UTILITY RESTRUCTURING
PURPOSE: PUB PUBLIC HEARING LEGISLATIVE
CONTACT: JANET SEITZ TEL#: (907)258-8191
CHAIRING SITE: FAIRBANKS 119 N CUSHMAN ST ZZZ

CHAIRS: ROKEBERG
SHARP

SPONSOR REMARKS(PUB): TESTIMONY:Y ALLOWED 3 MINUTE LIMIT
TESTIMONY WILL BE TAKEN WITH A 3 MINUTE LIMIT.
TCN REQUESTED ON 09/16/98 AND HAS 2 UPDATES

**** AGENDA ****

1 ELECTRIC UTILITY RESTRUCTURING

**** PARTICIPATING LIOS ****

ANC ANCHORAGE	716 W 4TH, #200	LOCATION STAFF
BAR BARROW	COURTHOUSE #305	LOCATION STAFF
* FBX FAIRBANKS	119 N CUSHMAN ST	LOCATION STAFF
JNU JUNEAU	CAPITOL	LOCATION STAFF
KEN KENAI LIO	145 MAIN ST LOOP	LOCATION STAFF
KOD KODIAK	112 MILL BAY RD.	LOCATION STAFF
MAT MATSU	600 E RAILROAD	LOCATION STAFF

CAP211

**** VOLUNTEER & OFFNET SITES ****

ZZZ OF1 OFFNET 1	HOMER	REP. PHILLIPS	(907)999-9999
ZZZ OF2 OFFNET 2	WRANGELL	SEN. TAYLOR	(907)999-9999

PARTICIPANTS IN:ANCHORAGE

ANC

1 MR	STEVE	CONN	AKPIRG	TSFY. ELECTRIC UTIL
	PO BOX 101093		ANCH	AK 99510 (907)278-3661
2 MS	JANET	SEITZ	REP ROKEBERG	OBSV. ELECTRIC UTIL
	716 W 4TH		ANCH	AK 99501 (907)258-8191
3 MR	SAM	COTTON	APUC	TSFY. ELECTRIC UTIL
	1016 W 6TH		ANCH	AK 99501 (907)276-6222
4 MR	PAUL	MORRISON	APUC	OBSV. ELECTRIC UTIL
	1016 W 6TH		ANCH	AK 99501 (907)276-6222
5 MR	JIM	POSEY	APUC	OBSV. ELECTRIC UTIL
	1016 W 6TH		ANCH	AK 99501 (907)276-6222
6 MR	BOB	LOHR	APUC	TSFY. ELECTRIC UTIL
	1016 W 6TH		ANCH	AK 99501 (907)276-6222
7 MR	RAY	KREIG		OBSV. ELECTRIC UTIL
	201 BARROW #1		ANCH	AK 99501 (907)276-2025
8 MR	PHIL	STEYER	CHUGACH	OBSV. ELECTRIC UTIL
	PO BOX196300		ANCH	AK 99519 (907)762-9766
9 MS	VIVIAN	KINNARD	CHUGACH	OBSV. ELECTRIC UTIL
	PO BOX 196300		ANCH	AK 99519 (907)762-4512
10 MS	PATTI	HARPER		OBSV. ELECTRIC UTIL
	7341 BLACKBEERY		ANCH	AK 99502 (907)248-2473

PARTICIPANTS IN:FAIRBANKS

FBX

1 SEN.	BERT	SHARP	AK	TSFY. ELECTRIC UTIL
				(907)000-0000
2 SEN.	LOREN	LEMAN	AK	TSFY. ELECTRIC UTIL
				(907)000-0000
3 REP.	JOHN	DAVIES		TSFY. ELECTRIC UTIL

10/14/98

14:14:38

TCN: 80902

DATE & TIME: 09/16/98 10:00 TO 16:00

STATUS:7

STATS. IN

PARTICIPANTS IN:FAIRBANKS

FBX

4 REP.	FRED	DYSON		AK	(907)000-0000
				TSFY.	ELECTRIC UTIL
5 REP.	ALAN	AUSTERMAN		AK	(907)000-0000
				TSFY.	ELECTRIC UTIL
6 REP.	NORMAN	ROKEBERG		AK	(907)000-0000
				TSFY.	ELECTRIC UTIL
7 MR.	DONALD	EDWARDS	CHUGACH ELECTRIC	AK	(907)000-0000
	5601 MINNESOTA		ANCHORAGE	AK 99519	(907)762-4637
8 MR.	ROBERT	MAXWELL	AK ENERGY ASSOC.	AK	(907)762-4637
	126 BOATER'S LN		FAIRBANKS	AK 99709	(907)479-5290
9 MS.	MARY ANN	PEASE		TSFY.	ELECTRIC UTIL
	310 K ST.		ANCHORAGE	AK 99501	(907)277-1003
10 MR.	ROBERT	HANSEN	GVEA	TSFY.	ELECTRIC UTIL
	758 ILLINOIS ST		FAIRBANKS	AK 99701	(907)452-1151
11 MR.	ROBIN	BRENA		TSFY.	ELECTRIC UTIL
	310 K ST., #601		ANCHORAGE	AK 99501	(907)258-2000
12 MS	MEERA	KOHLER	ML&P	TSFY.	ELECTRIC UTIL
			ANCHORAGE	AK 99516	(907)263-5202
13 MR.	JOHN	GIUCHICI		TSFY.	ELECTRIC UTIL
	118 DUNBAR AVE		FAIRBANKS	AK 99701	(907)455-6533
14 MS.	MARY	FISHER	ARECA	OBSV.	ELECTRIC UTIL
	703 W TUDOR		ANCHORAGE	AK 99503	(907)563-2559
15 MR.	ROBERT	TRENT	UAF	OBSV.	ELECTRIC UTIL
			FAIRBANKS	AK 99775	(907)474-7366
16 MS.	CAROL	LEWIS	UAF	OBSV.	ELECTRIC UTIL
			FAIRBANKS	AK 99775	(907)474-7670
17 MS.	BONNIE	WILLIAMS		OBSV.	ELECTRIC UTIL
	1335 SUNNY SLOPE RD		FAIRBANKS	AK 99709	(907)455-6652
18 MS.	MARILYN	WILSON	SEN. SHARP	OBSV.	ELECTRIC UTIL
	119 N. CUSHMAN		FAIRBANKS	AK 99701	(907)452-7885
19 REP.	TOM	BRICE		OBSV.	ELECTRIC UTIL
	119 N. CUSHMAN		FAIRBANKS	AK 99701	(907)456-7423
20 MR.	ANDREW	CASSEL	FOX 7 NEWS	OBSV.	ELECTRIC UTIL
			FAIRBANKS	AK	(907)000-0000

PARTICIPANTS IN:JUNEAU

JNU

1 MS	ANNETTE	KRIETZER	LEMAN'S STAFF	OBSV.	ALL ITEMS
			JNU	AK	(907)000-0000
2 MS	PAT	JACKSON	ADAMS'S STAFF	OBSV.	ALL ITEMS
			JNU	AK	(907)000-0000

PARTICIPANTS IN:KENAI LIO

KEN

1 MS.	SANDRA	GHORMLEY	HOMER ELECT	OBSV.	ELECTRIC UTIL
	280 AIRPORT WAY		KENAI	AK 99611	(907)283-2324
2 MS.	MEL	KROGSENG	SEN. TAYLOR	OBSV.	ELECTRIC UTIL
			AK		(907)000-0000



TCN # _____
 TC Line: _____
 Time Dialed In: _____
 Time Dropped Off: _____
 Date: _____

page 2

SIGN-IN SHEET

Please Print!!

Sponsor: Int. Electric Utility Restructuring

Subject: _____

[illegible]

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
NOVEMBER 18, 1998
10:00 am

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

TAPES

- 1 Sub-Committee Report, Testimony, Committee Discussion
- 2 Black & Veatch Report, Committee Discussion

CALL TO ORDER

CO-CHAIRMAN NORMAN ROKEBERG convened the Joint Committee on Electric Utility Restructuring at 10:12 am.

PRESENT

Committee members present were Co-Chair(s) Rokeberg, Sharp, Senator Leman, Representative Dyson, Karisse Ackerman for Representative Davies in Fairbanks.

ABSENT

Committee members absent were Senator Adams, Senator Taylor, Representative Austerman.

ALSO ATTENDING

Ed Kozak, Kodiak Electric Association; Jim Patras, Homer Electric Association; Ray Kreg, Chugach Electric; Carol Hegman, Chugach Electric; Anne Hays, IBEW; Robert Hansen, Golden Valley Electric; Tom Staudenmaier; Meera Kohler, ML&P; Mary Fisher, ARECA; Vivian Kinnaird, Chugach Electric; Robert Maxwell, Alaska Energy Associates; Hart Hodges, Northern Economics; Mary Ann Pease, Aurora Power; Theresa Jurotich, Black & Veatch; Myron Rollins, Black & Veatch; Paul Morrison, APUC; Joanne Stoop, GVEA; M. Riddle, GVEA.

SUMMARY OF INFORMATION

OPENING REMARKS

CO-CHAIR ROKEBERG: Calls roll and welcomes all committee members and people attending meeting either in person or by teleconference. We do have a quorum to conduct business. Goes over agenda, after report given by Senator Leman, will open up the hearing for additional public testimony, we will conclude the public testimony and will have ample opportunity to have committee discussion before the lunch break and possibly include audience members in this discussion.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
NOVEMBER 18, 1998

CO-CHAIR ROKEBERG: Will reconvene after lunch break for a presentation on the power pooling and central dispatch study at 1:30 pm. After presentation there will be a brief discussion, and hope to be able to adjourn before 3:00 pm if not sooner. With that, I would like to ask Senator Leman to give a brief report and recommendation as to the RFP and his work on the sub-committee with the APUC.

SENATOR LEMAN, Chairman of EUR Sub-Committee: Thank you Mr. Chairman. The members will recall that at a meeting in September we went through the draft, scope of work for a proposed study to be done jointly with the APUC. Senator Leman met with the APUC, staff and technical people and together they refined the scope of work, incorporating comments that several members made, particularly Representative Davies, and Representative Dyson, as well as other comments made at the September sub-committee meeting. Senator Leman & APUC also spoke with a representative from NRRI by teleconference to discuss the RFP scope. This review was done without cost. Scope of this report was very thorough, the NRRI representative said committee was asking for so much, "we" agreed with that and he suggested we refine the scope of work to make it more understandable in a request for proposals and we incorporated our guidelines as an appendix to the request for proposal. During this meeting worked toward goal to make this report understandable to anyone reading it for the first time and would be able to understand the background of Alaska. The first priority is the pilot study in the Anchorage area, and identified an earlier delivery of that work product. APUC suggested March 12th; Senator Leman would like it done a little earlier than that. Target date for a draft report due the end of March and a presentation to the Legislature on or about April 19th. This would include special committees or joint committees of the Legislature that would hear the presentation and the contractor would issue a final report by June 30th. The APUC advertised in state and received one or two responses; APUC requested and was given permission to advertise outside the state. They are receiving more calls and requests for the request for proposal packet. The deadline for the proposal is to be due December 9th, interviews have been schedule December 17th. Selection committee will include representation from the Legislative branch and the APUC. The funding has been approved by the commission for up to \$200,000.00. Expects to have somebody under contract and (indisc. coughing), and should begin prior to the start of the Legislative session.

The committee members discussed the target award date of January 12th. There may be a short delay of a few days, but should have somebody under contract shortly after January 12th. Senator Leman referred to the request for proposal which was sent electronically to each committee member. Co-Chairman Rokeberg asked if anyone was aware of something being removed from the APUC's docket at their last meeting? No one from the APUC was at the morning meeting and question could not be answered at that time.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
NOVEMBER 18, 1998

CO-CHAIR ROKEBERG: Thanked Senator Leman and the members of the sub-committee for working on this project. He is aware that a good deal of time and effort was put forward and the committee really appreciates that. **It was discussed at the Fairbanks meeting that once the recommendations were put together a poll of members would be conducted, but this has not been formally accomplished. The Chair would entertain a motion that we accept the sub-committee report and make a recommendation to the APUC to move forward with the contract.**

CO-CHAIR SHARP: **So motioned.**

CO-CHAIR ROKEBERG: **Any objections? Seeing none, so ordered.**

CO-CHAIR ROKEBERG: Opened public testimony.

ED KOZAK, Kodiak Electric Association: See written testimony.

TOM STAUDENMAIER: See written testimony.

CO-CHAIR ROKEBERG: Asks if anyone else would like to testify, as there is no one else who wishes to testify, closes public testimony and begins a committee discussion.

COMMITTEE DISCUSSION

CO-CHAIR ROKEBERG: Next scheduled meeting is January 6, 1999. The committee will make final recommendations to take back to 21st Legislature. Discussed how much the Legislature needs to be involved in managing these changes or allow the APUC to handle day to day details.

CO-CHAIR SHARP: Time frame of the study was brought up and what the study will involve and the scope of the study. Is very interested in hearing the Black & Veatch report and what the APUC has come up with in regards to how to implement study. After hearing this, the committee will have a better understanding of the scope of the pilot program and will be better informed to make the final recommendations to the 21st Legislature.

CO-CHAIR ROKEBERG: Agrees with Senator Sharp. Final resolution will include statements regarding the study. States committee will take into consideration all the public testimony that has been heard and pass this along to the 21st Legislature. The House has established a special committee to take up any telecommunications issues as well as electric utility restructuring during the 21st Legislature; this will be under the purview of the Labor & Commerce Committee of both "Houses".

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING NOVEMBER 18, 1998

CO-CHAIR SHARP: The recommendations of this committee will get the new committees "off ground zero" a good place to start.

CO-CHAIR ROKEBERG: The record of this committee is the foundation of the entire policy making process and will expedite it substantially. Thanks all the people who participated in the process. Believes this committee has honed down a lot of the issues and will be of great assistance and an asset to the new committees and the 21st Legislature. Would like to get a sense of the committee as Ms. Seitz & Ms. Kreitzer and everyone else and their staffs will be working on some recommendations for the committee which we can circulate over the holiday season prior to our meeting, to get a sense of the committee. To work on drafts to decide how far we want to go in the issue about Legislature making policy, statutes, and how much latitude we want to give the APUC.

SENATOR LEMAN: Reiterated his opinion that the Legislature should be involved in broad policy statements and the APUC should be involved in the detail and implementation. States the APUC is reticent in using the power that they have to move to implement some areas of competition. One question that needs to be addressed by the next Legislature is to clarify that competition is the norm unless demonstrated otherwise. This is much like game management or fisheries management, the Legislature does much better by establishing general policy and letting that detail be done by others. Would be willing to support something like that. APUC needs a little guidance on how to implement policy.

CO-CHAIR ROKEBERG: Discuss whether to recommend to the next Legislature, stranded cost development, reliability and totality of those issues that we have identified. Doesn't feel the committee should make any statutory recommendations other than in a more general form.

SENATOR LEMAN: The committee can offer a number of possibilities, if we don't want to take a side on it now because we have the study ongoing I can understand that. Believes the committee does have the capacity to lay out some options which may help the contractor responding to us, give different approaches.

REPRESENTATIVE DYSON: Reluctant to speak on this. States he may be out of step with the committee. Recommends fundamental questions the committee needs to deal with, such as policy level. Is not sure if competition is the norm for electric power. Doesn't believe competition is the norm for water distribution or sewage. Need to ask the fundamental question is there a public responsibility for universal service for power distribution. Touches on clean air, water, waste disposal in rural Alaska; for this we need electric power.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING NOVEMBER 18, 1998

REPRESENTATIVE DYSON: Electric power is important to schools, medical facilities and communications. Thinks we need to consider the question is providing electric power a basic human service that the state has a responsibly to see is available. Touches on the

communications industry and problems that were faced. Also brings up the huge markets down in the lower 48, electric competition has not demonstrated that we know how to do it and manage it well. Touches on a few of the horror stories that the committee has heard. Doesn't feel Alaska needs to lead or be in the forefront of deciding how this is done in North America. States we can learn from the lower 48's mistakes. Mentions power pooling, economic dispatch and wholesale competition and retail competition.

CO-CHAIR SHARP: Let's wait and see what the APUC presents this afternoon and entertain questions to them on other peripheral topics regarding competition that may be on some of our minds. How would this work, they must have some kind of perception of what they feel would have to be done if we come out with a mandate or perimeters legislatively that puts them in a position basically of not having to approve rate tariffs anymore because condominium associations can come in and negotiate or other small groups deciding how much each subdivision should pay.

REPRESENTATIVE DYSON: Wants APUC to be more pro-active and not reactive. Doesn't feel like it is in the consumers' best interest in forcing the utilities to do the very best job they are capable of, this should have been done voluntarily.

CO-CHAIRMAN ROKEBERG: Recessed for lunch at 11:30 am. Committee will reconvene at 1:30 pm

CO-CHAIRMAN ROKEBERG: Reconvened the meeting at 1:46 pm. Called roll, quorum to conduct business.

MYRON ROLLINS, Black & Veatch: See written testimony.

CO-CHAIR ROKEBERG: Senator Sharp will you be able to attend the next meeting?

CO-CHAIR SHARP: No, I'm not sure I can be here, I will probably attend by teleconference.

CO-CHAIR ROKEBERG: In that case, I'm going to take this opportunity to....since this may be your last chance to get a gavel in your hand, turn the gavel over to you.

CO-CHAIR SHARP: I'm good at adjourning, is that what you want me to do? (laughter)

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
NOVEMBER 18, 1998

CO-CHAIR ROKEBERG: It may be your last opportunity after an illustrious decade long period in the Legislature to do so, and I will turn the meeting over to you, we were discussing some various things about the direction of this committee. Would you like to discuss this further?

CO-CHAIR SHARP: Thank you Mr. Co-Chair. Doesn't have anything to add at this time, you have allowed us to participate quite frequently in the discussion. Looks forward to keeping in contact between now and the January meeting to have some additional information filtered down from the APUC and we can get some information on what the actual prospectus was or the (indisc.) or what the draft may be. Has nothing further to add, asks for comments from other committee members.

SENATOR LEMAN: Applauds the Co-Chairs on their leadership of the committee. Doesn't sound like we have come to anymore consensus then when we started, except for the fact that we are moving ahead. I would suggest that we make a positive statement to the next Legislature about competition, or we at least make a statement would somehow be positive to the APUC about pilot study (a well-crafted study) in the Anchorage area. States this is a positive step and if well designed it may give us the information we need to move on. Mr. Chairman would you like to take that up at our January meeting?

CO-CHAIR ROKEBERG: I would hope that we can reach a general outline and general consensus points that we could present a document and discuss that document at the January 6th meeting.

SENATOR LEMAN: Looking for common ground.

CO-CHAIR ROKEBERG: Would be helpful if we could do that.

REPRESENTATIVE DYSON: Would like committee to recommend that the Legislature consider universal service. This would be a precursor to any reevaluation that we do with power cost equalization. Is providing affordable electric power to communities is a public policy issue?

CO-CHAIR ROKEBERG: Shares Representative Dyson's concern about the importance of universal service, doesn't believe a linkage between the power cost equalization issue and the issue before this committee is appropriate. Counsels very strongly against it. Once we do that we are not going to be able to make any political progress whatsoever, and I would not like to see that. Appreciates your point.

REPRESENTATIVE DYSON: (indisc.) logical, but probably politically inadvisable.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
NOVEMBER 18, 1998

CO-CHAIR ROKEBERG: Brings up cherry picking, states if we approach a pilot program, that we recommend it be a percentage of a market area, but not what percentage it should be. Has to be a large enough area to generate "good" information and data. Equalize commercial and residential service to avoid cherry picking.

REPRESENTATIVE DYSON: States this gets back to universal service question, one solution to cherry picking is we say as an entry into this market, if you want to go after customers you have agree to take any of them.

CO-CHAIR ROKEBERG: Mandate it.

REPRESENTATIVE DYSON: Right.

CO-CHAIR SHARP: There is a diverse opinion between the four members of the committee who are here. I will work with my co-chair to state what I feel needs to be included in the draft before the January meeting and that we all work together to do the same. Pilot program does have merits, as long as we don't hog-tie the commission into an impossible situation legally. I have nothing else to add.

CO-CHAIR ROKEBERG: Mr. Chairman, why don't we request that all committee members and we will send out a memo to make a recommendation in writing to my office, right Janet? Subjects, issues or so forth they would like to see in the committee's recommendation.

CO-CHAIR SHARP: Would you please see that all members get that invitation to participate, early in the first couple of weeks in December.

CO-CHAIR ROKEBERG: Need to get a target date. How about December 7th.

CO-CHAIR SHARP: As there is no objection so ordered. Okay you will be sending out correspondence to all committee members. Anything else Mr. Co-Chairman.

CO-CHAIR ROKEBERG: Thank you and a happy holiday season to everybody. Look forward to meeting with everyone after the first of the year.

CO-CHAIR SHARP: (Indisc.) I will be on teleconference. Thank you.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
NOVEMBER 18, 1998

CO-CHAIRMAN SHARP adjourned the committee meeting at 2:58 pm.

Adjournment

NOTE

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

COMMITTEE TAPE LOG

10/10

COMMITTEE: Electrical Restructuring DATE: 11/18/98 TIME: 10:18 a.m.
 SUBJECT: Subcommittee reports, Public testimony, Block, Watch report
 MEMBERS: Present: (Co-Chair) Rebeles, Sharp, Rep(s) Dyson,
Senators) Leman ABSent: Sen Adams
Rep. Davies Taylor
Rep. Austerman

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Rebeles	000	Roll, opening Comments. Goes over Agenda. Hopes to adjourn at 3:00
S. Leman	029	Goes over RFP, Sub-Committee report findings. Mentions APUC.
RO-	073	ASK question.
Le	074	Response, clarifies (Jan 12 & 15/99) under contract.
RO	084	NOV 12 draft in his packet.
Le	090	Responding
RO	093	APUC packet - last meeting.
RO	098	Thanks Chairman Sub-comm (Leman)
		Sub-comm
RO	106	No questions for L. Wants motion.
RO	110	Asks for motion to adopt
Sh	111	rules
RO	112	no objections, so adopted.
RO	117	opens Pub Test.
Ed Kozak	121	KEA CO-OP rep.
Ed	182	End testimony
Le	184	Asks question of ED.
ED	208	Begin answer, mentions cherry picking
Le	212	Response
ED	215	Response
Le	217	Stranded Post is mentioned
ED	221	Thank Lem
Dy	223	mentions cameras, last 10 yrs Powergrid

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Ed	228	mentions when he became 6m
Dy	232	Asks another question, clarifier
Ed	241	Response
Sh	247	Asks about Large Processor (KODICK)
Ed.	264	Agrees
Sh	268	APUC weighing in app and.
Ed	277	continues to talk
Sh	278	back & forth between
Ed	279	statements asking
Sh	280	clarifying, and responding
Ed	283	to each other & for
Ed	286	the comm.
Ed	287	↙
RO	295	4-Dam Pool
Ed	304	clarifies 4 Dam Pool.
RO	307	cost?
Ed	308	states cost, formula
RO	331	Diesel Power,
RO/Ed	333	questions,
Ed	334	comments
RO	337	back & forth between
Ed	338	(R) Pokelug & Ed Kozak
RO	344	questions
Ed	345	answers
RO	349	continues
Ed	350	↙
RO	358	
Ed	359	
RO	361	Thurman
Ed	362	

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
EE	366	Continues to speak
RO	368	money involved, brought up
		OSG Conf. 4 Green Power
ed	381	Demographics, differences between
		AK and CA.
RO	407	Asks about Coast Guard.
Ed	410	CG buys all etc. from Kideak Corp.
RO	416	Thank you, next test.
Tom Stande	423	Begins speaking. (J. 5 cont Kildes.)
	469	PO/Le / Stud / K. talking about Tom's
		handout, making copies.
Tom	480ish	Begins test, again.
RO	500	Who elected you
Tom	502	MEA
RO	503	Pls continue
Tom	503	Continues (change of tape at 548)
Tom	2/5 ⁰⁰⁰	Brings up Elec. / Telp. \$8 million
		talks about additional \$5,000 check.
Tom	052	Brings up by-laws he wants to
		initiate, talks about all his
		info will be on internet.
RO	053	Thank you.
Tom	054	questions?
DY	055	Ask questions
Tom	058	Resp
DY	061	Heard test.
Tom	064	no-comp
Tom/DYS	066	
DYS	067	

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Tom	068	NO COMP.
Dy	072	one more time, may I finish
Tom	074	NO COMP (air money) (Enstar, maps, Petro, brings up)
Dy	090	went beyond my question
Tom	091	any more quest.?
Ro	092	ask question
Tom	094	respond
RO	095	clarification?
Tom	096	brings up PFD.
RO	117	Thank you, any other testimony, asks 2nd time.
Ro	121	close public hearing, opens up comm discussion. Brings up Jan. 6, 1998 last comm. meeting, and will give final report to 21st Leg. comments, time frame 6th, of Jan. can make basic, baseline recommendations.
Sh	143	
RO	158	Agrees w/Sh. Brings up study.
Dy	174	makes comments
RO	175	Swi Comm both "House"!
Sh	179	agrees w/ Statement.
RO	185	Thanks, honed down issues. Wants to get "sense of the committee"
Le	198	Pertinates opinion, Leg needs to make broad, APUC handle detail, need to be specific, stranded cost -
RO	216	possibilities, options
Le	231	
RO	235	Agrees

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
Le	237	Agrees
Dy	239	Reluct. to speak on this.
RD	283	Jen Sh.
Sh	284	question to APUC this afternoon.
Dy	306	APUC would like them to be pro-active not reactive.
RD	341	wants to add Colten to list.
RD	342	Buys up concerns
Le	389	Buys up APUC Authority, Buys up last session leg.
RD	409	Responds to S. Le.
Le	427	talks about consensus, a lack of.
RD	441	Speaks of report.
RD	447	Asks MS Litz, J. Sen Sharp, what can we do, authority.
RD	472	Recess until 1:30 p.m. Recessed at 11:38 am
RD	1/B	Meeting called to order at 1:46 pm (Reconvened) members present to chair Sharp, Robkeberg, Rep. Dyson, S. Leman
Black/Veatch	011	Black & Veatch Rep. begins presentation used projector and gave handouts Cases "Individual", "Pooled", "Joint"
	087	(2m 0000 left off slide regarding conditions Chusack)
Dy	095	ASKS question of Rep B/V
B/V	098	resumes report

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
B/V	108	continues with report
RD	113	asks about generator
B/V	115	answers
RD	119	asks for clarification
B/V	120	answers.
"	122	mentions Cost / Savings
RD	129	not pure about answer.
RD	131	makes / asks another qu.
B/V	133	back tracks to clarify answer
B/V / RD	139	both speaking
B/V	141	continues — continues to clarify
B/V	147	goes forward with presentation
RD	180	Present Value?
B/V	181	answers
DY	183	Horizontal case
B/V	185	answers
DY	191	cost of pooling / joint
"	193	continues back
B/V	195	answers / continues w/ presentation.
RD	285	asks question
B/V / RD	286	both speaking
B/V	287	answers
DY	294	Production cost?
B/V	297	answers
DY	299	What?
B/V	300	independent
DY	302	Pool, ISO, Prod. cost
B/V	306	save, pool
DY	314	Base Case
B/V	315	Yes

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
B/V	316	continues
Dy	319	Wants to go back a few slides
B/V	—	goes back and answers
Dy	328	Alright back up to speed
B/V	332	continues w/ presentation, asks "Teresa" a question.
Le	342	asks
Teresa B/V	343	answers B/V
RD	344	asks percentages
B/V	345	answers — RD — B/V continue to talk back forth.
B/V	355	continues w/ presentation
RD	371	Dollar figure
B/V	373	clarifies.
RD	382	Pool case 2.1%
B/V	385	yes, answers before you speed...
RD	391	add costs accurate figure
B/V	395	back up take step at a time
RD	403	calc on that
B/V	404	no,
RD	405	ask for clarif.
B/V	406	gives clarif
Sh	412	delivered cost, transmitting
B/V	416	delivered to
Sh	418	? Clarify B/V did
B/V	421	continues w/ presentation
Dy	441	try to summarize for B/V as graph.
B/V	447	believe so,
Dy	450	makes point
B/V	451	CA ISO, power exchange

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
B/V	458	continues answering Dy's question.
Dy	470	Real Wholesale lamp here?
B/V	475	Some contracts in place (Spot mkt. Wholesale no)
Dy	484	Long term purchase, choose who they buy it from.
B/V	490	answers
Dy	495	complete wholesale?
B/V	500	need ISO or something, scenarios of possible problems, spinning reserves.
Dy	527	? factors
Dy	530	power purchaser own market
B/V	534	power bought won't cause problem
Dy	540	eliminate long term contracts
B/V	549	Price discovery, etc.
Dy	556	unit price?
B/V	558	answers clarkus
Dy	562	re-asks how to have wholesale run
B/V	565	examples of
Dy	568	wants add. clarification
B/V	570ish	series clarification
Dy	585	future?
B/V	587	Work of B/V, leading power plant provider. per working FL.
B/V	600	Florida very similar to AR, but AR more isolated, Bring up Isly. processing.
Dy	013	?

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
B/V	015	continuous busy pricing. buy/sell.
Dy	039	Analysis, range of operation
B/V	041	essentially down, except for questions. Went thru recommendations
		for exempt financing
B/V	063	Ends presentation
Sh	064	pooling, movement lower 48. Investor owned utilities
B/V	070	Six thoughts - Investor owned - Shared Investment.
RO	094	further questions? Thank you
Dy	097	question outside of scope - Small plants, widely spaced. Fuel Sales work from
B/V	103	NO. Cost/Price
Dy	123	Stop building trans. lines, utilities?
B/V	127	wouldn't stop trans. lines
Dy	128	once we agree,
B/V	129	answers
RO	133	Thank you.
Dy	134	Thank you Mr. Chairman
RO	136	take liberty can you attend 1-6-99 meeting
Sh	137	no, makes yoke.
RO	142	turns meeting over to S. Sharp.
Sh	146	Thanks RO, looks forward to being in contact with everyone
Sh	156	Any comments?
Je	157	Thanks both to Chair, brings up consensus. Wants to make pos. statement
RO	174	Wants outline general consensus present document 1-6-99 meeting

SPEAKER	TAPE #	SIGNIFICANT INFORMATION
RO	181	continue w/ what outline should be included
Ye	184	Common Ground
RO	186	would be helpful
Dy	188	Comm recommend - Universal Service to 31st Jcg.
RO	201	Share Dy concerns Un. Service
Dy	212	logical, politically
Ye	215	consistent opinion
Ze/Dy	216	getting
RO	218	pilot program 70 of mkt area
Dy	239	Bunge up universal service,
RO	244	mandates against cherry picking
Sh	248	Division opinions, 4 members not present to open then Sh will continue to work w/ comm to work out pilot program
RO	258	Request all comm members make recon to RO office, (in writing)
Sh	267	pls see all members get invite to put in outline 1st few weeks of Dec.
RO	273	target date
Ja		Dec 1, Dec 4
RO	276	Dec 7th agreed upon
Sh	281	send out memo
RO	283	Thank you
Sh	286	Thank you.
Sh	288	adjourned meeting at 2:58 pm.

11/18/98 13:45:44 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
MESSAGE FROM: LIOCFRA IN FAIRBANKS

LTN1120
ANC

RE TCN: 80886 SCHEDULED FOR: 11/18/98 10:00 TO 17:00
SPONSOR: (JNT) ELECTRIC UTILITY RESTRUCTURING PURPOSE: PUBLIC HEARING

MESSAGE TEXT: REP. DAVIES LEG AIDE (KARISSE ACKERMAN)
HERE TO LISTEN-POSSIBLY ASK QUESTIONS?



5 min. time
limit

LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

80886

SPONSOR: (Int) Electric Utility Restructuring

SUBJECT: Electric Utility Restructuring

START/END TIME: 10 am DATE: 11-18

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	ED KOZAK, KODIAK ELECTRIC ASSOC.	Box 787, KODIAK, AK	99615	486-7707	YES		
2.	JIM PATRAS HOMER ELECTRIC ASSOC.	3380 'C' ST ANCHORAGE 99503		561-1030	NO		
3.	Ray Krug Chugach Electric	201 Barrow #1 Ave 99501		276-2025	NO		
4.	Carol Hegman Chugach Electric	5601 MINNESOTA 99516	99516	762-4707	NO		
5.	Anne Hays	IBEW			NO		
6.	Robert Hansen Golden Valley Elec	Box 71249 Fbks AK	99707	451-5602	NO		
7.	TOM STAUDENMAIER	P.O. Box 190170 ANCH. AK	99574	276-2212	YES		
8.	MEERA KOHLER	MLAP 1700 E 1st Ave Anch	99516	273-5202	NO	YES	
9.	Mary Fisher	ARECA 703 W. TUDOR	503	5632559	NO	yes	
10.							
11.							
12.							
13.							
14.							
15.							



LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: (Jnt) Electric Utility Restructuring

SUBJECT: EUR

START/END TIME: 10am DATE: 11-18

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	William Kinnaird, Chairman					☒	
2.							
3.							
4.							
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14.							
15.							



LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: Joint Electric Utility Restructuring

SUBJECT: E.U.R.

START/END TIME: 1:46 pm DATE: 11/18/98

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Robert Maxwell / ALASKA Energy Associates	126 Boaters Lane	99709	479-5290	✓	✓	
2.	Hart Hodges / NORTHERN ECONOMICS	880 H St. suite 210 Anch	99501	774-5600	NO	✓	
3.	Mary Ann Pease / Aurora Power	810 K St , suite 601	99501	277-1003			
4.							
5.							
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15.							



LEGISLATIVE TELECONFERENCE NETWORK

SIGN-IN SHEET

SPONSOR: Joint Electric Utility

SUBJECT: EUP

START/END TIME: 1:46pm DATE: 11-18-98

PLEASE PRINT

	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Theresa Jurotich / Black & Veatch	~~12450~~ 11401 Lamar Overland Park, KS	66213	913-458-2788			
2.	Myron Ballins / Black & Veatch	P.O. Box 8405 Kansas City, Mo	64114	913-458-7432			
3.	Paul Morrison / APUC	1016 W 17th Ave	99501	270-6222		*	
4.	Jo Anne Stood / GVEA	POB 71249 FRS	99707	452-1151		X	
5.	Maureen Riddle / GVEA	71249 FRKS	99707	452-1151			
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JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
JANUARY 6, 1999
10:00 AM

TAPES

1, 3

2 (Malfunction)

CALL TO ORDER

CO-CHAIRMAN NORMAN ROKEBERG convened the Joint Committee on Electric Utility Restructuring at 10:27 am.

PRESENT

Committee members present were Co-Chair Rokeberg, Senator Leman, Representative Davies, Representative Dyson.

ABSENT

Committee members absent were Co-Chair Sharp, Senator Taylor, Senator Adams, Representative Austerman.

ALSO ATTENDING

Representative Hudson; Meera Kohler, ML&P; Dan Helmick, ML&P; Paul Morrison, APUC; Bob Lohr, APUC; Mary Fisher, ARECA; Jim Patras, HEA; Eric Yould, ARECA; Robin Brena, Aurora Power; Mary Ann Pease, Aurora Power; Mike Kelly, GVEA; Carol Hegman, Chugach Electric; Don Edwards, Chugach Electric.

SUMMARY OF INFORMATION

OPENING REMARKS

CO-CHAIR ROKEBERG: Calls roll and welcomes all committee members and people attending meeting either in person or by teleconference. Brings up draft dated January 1999, and amendments that committee members need to consider from the Co-Chair and consider any other amendments. Will have Senator Leman comment on the RFP and discuss the preparation content of the final report of the joint committee. Doesn't expect that this will take long and then will adjourn the meeting. Any comments, Senator Leman, on the RFP particularly about any dates?

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
JANUARY 6, 1999

SENATOR LEMAN: Brings to the members' attention that at the last meeting the APUC and the Legislature had/or was nearly ready to issue the request for proposal for the professional study of electric utility restructuring. Proposals were due early December; 10 respondents across the country. Senator Leman and two members of the APUC served on the selection committee, reviewed the proposals, & short-listed three firms. Held interviews on December 17th, selected a firm to begin negotiations. Post notice of intent to offer. Time period for challenges expired and the APUC went into negotiations and is currently finalizing with CH2MHill. CH2MHill was the only company to get all the 10 points of the selection process, has an in state presence. The firm will be issued a notice to proceed perhaps late this week or early next week. Work will begin soon after this. One change that was made is the date for the deliverable on the pilot project from March 12th to March 1st. Gives more time in the Legislature. The contractor is actually a team with CH2MHill and Eonergy International Corporation. Recognizes two members from the APUC that are here and can answer any questions the committee may have.

CO-CHAIR ROKEBERG: Any questions? Chair notes that Commissioner Ornquist and staff is here. Asks Mr. Lohr, APUC, if he would like to make any comments.

REPRESENTATIVE HUDSON: Asks that the name of the company that will complete the RFP. Wasn't clear earlier.

SENATOR LEMAN: CH2MHill, Eonergy International Corporation. Believes that these two companies will do a professional and complete job. These companies are currently in Colorado working on a similar program.

CO-CHAIR ROKEBERG: Thanks Senator Leman for all of his hard work on the RFP. Moving on to the final item on the Agenda; mentions article that Senator Sharp wanted included in the packet pertaining to the activities in Palm Spring is included and has been distributed to all members. Has requested from the Leadership the funds to subscribe to the LEAP Letter, this deals with issues relating to electrical restructuring. Begins to go over the draft and will go through each amendment and take comments from committee members. Two primary issues: changes to the body of the report, member comments. Starts with member comments, these were added for the members but not the general public. All are welcome to submit comments to be included in the final report. Recognizes Representative Davies.

REPRESENTATIVE DAVIES: Submitted a one-page overview to be included in "that section".

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
JANUARY 6, 1999

CO-CHAIR ROKEBERG: Senator Leman, Senator Sharp also have inserts to the report. If there is no objection asks that the committee add anything that any member of the committee wishes to add to it. In the form of their own comments, dissents on what the report may ultimately say.... As there is no formal quorum, it is the Chair's intention in terms of the practical application of the report, take it up today and circulate it in Juneau prior to the 19th, and get approval by circulating a memorandum. Vote by memorandum, any objections?

SENATOR LEMAN: No objection.

REPRESENTATIVE DAVIES: No objection.

REPRESENTATIVE DYSON: No objection.

Committee members discuss possible time to have the final meeting on January 18, 1999. After a brief at ease of 2 minutes, the committee members came up with a tentative time of 10:30 am in Fahrenkamp Room. The committee discussed how to get the written comments to Co-Chair Rokeberg's office, he gave his personal fax and phone number as office computers and faxes were packed and being shipped to Juneau.

CO-CHAIR ROKEBERG: Goes back to the report. Any comments, questions at this time?

REPRESENTATIVE DAVIES: No problem with Amendment 1, brought up that he had made marginal notes that he would like to go through and has come up with alternative language in regards to certain parts of the report.

CO-CHAIR ROKEBERG: Asks Representative Davies to go through his concerns, changes that he would like to see made on the report.

REPRESENTATIVE DAVIES: Would like it stated throughout the report that comments were not solicited from the "run of the mill" residential customer. Mentions that no poll has been taken of the residential customer, brings up the problems that residential customers have had in California and also mentions the Black & Veatch report.

CO-CHAIR ROKEBERG: Agrees with the point made. States staff can handle that concern, and address in the report.

REPRESENTATIVE DYSON: Asked of the Chair what exactly would the staff be handling.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
JANUARY 6, 1999

CO-CHAIR ROKEBERG: Draft language into the introduction to indicate that the committee believes that we did not get enough, not enough public participation in the hearing process.

REPRESENTATIVE DYSON: Stated he misunderstood and thought the Chair meant that the staff would get more comments from the public. (laughter)

CO-CHAIR ROKEBERG: Looks at the report as an alert/transmittal for the public record this committee has established on this issue to pass onto the 21st Legislature.

REPRESENTATIVE DAVIES: Second item page 9 paragraph 3 and a couple of other places throughout the report (3rd & 4th paragraphs). "General consensus of the committee is that electric restructuring will come to Alaska"..... another point in the next paragraph it says "recognize that some form of retail restructuring".... States that this is not clear to him. Another problem is that it is not clear what "we" mean by restructuring at this point. Instead of saying that electrical restructuring is "inevitable" say "likely" or something less certain than that. Does not want to pre-judge the results of the RFP, wait and see what the results are.

REPRESENTATIVE DYSON: States he & Representative Davies are "somewhat kindred spirits". Is not eager to see restructuring happening precipitously, agrees that the wording here is okay and that some restructuring is inevitable. Agrees now is not the time. Believes restructuring is inevitable and does not find the language objectionable.

CO-CHAIR ROKEBERG: Authored the report and appreciates comments. Third paragraph states "for the general consensus is that electrical restructuring will come to Alaska". It is a matter of when and how. Goes on to defend this issue, as he has been involved in this for two years. Hasn't heard anyone other than IBEW and AKPIRG make any objections to this issue. Agrees inevitable is a strong word, is open to modifying that.

REPRESENTATIVE DYSON: Suggests "it appears at this time inevitable".

REPRESENTATIVE DAVIES: Agrees it needs to be modified. This is his main concern.

CO-CHAIR ROKEBERG: Brings up there is a legitimate debate on whether a pilot program is a good idea and to the results of a pilot program.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
JANUARY 6, 1999

REPRESENTATIVE DAVIES: Page 9, "there were a few individuals and groups that object to competition". This is not consistent with Representative Davies recollection, does not remember anybody saying they objected to competition. Remembers people being concerned about restructuring, especially in a context where there wouldn't be competition. Brought up the problem of cherry picking.

CO-CHAIR ROKEBERG: Stated that reflects the views of some written testimony of IBEW & (indisc.) received by the committee that objects to competition.

REPRESENTATIVE DAVIES: Doesn't believe they object to competition.

CO-CHAIR ROKEBERG: "We are talking about the word competition, rather than.....perhaps delete that and change it to restructuring?" No problem with that understands his point. "Probably use electrical restructuring".

REPRESENTATIVE DAVIES: Top of page 10, third sentence "the commission appears to be reluctant to do so". (indisc.) He believes that the APUC feels the proposals so far have not been adequate.

CO-CHAIR ROKEBERG: Defends the language..... Talks about calling the APUC up, but does not want to put them on the spot.... (laughter).

REPRESENTATIVE DAVIES: States some people feel that APUC is dragging their feet, does not share that view.

CO-CHAIR ROKEBERG: Defends the language "in as much as I drafted it". Believes it reflects his opinion. Brings up past testimony that the committee heard and concerns about the APUC and their ability to move ahead quickly, brings up DOCKET 97-201. States again he does not want to put them on the spot.

REPRESENTATIVE DAVIES: Has heard the questions and states that the committee is impatient with the speed that the APUC (indisc.)

CO-CHAIR ROKEBERG & REPRESENTATIVE DAVIES continue to speak about the APUC and their role in the RFP and the direction they will get from the Legislature.

REPRESENTATIVE DAVIES: Doesn't feel the APUC is necessarily dragging their feet. States he believes they are taking a prudently cautious view. (Two or more people talking at once.)

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
JANUARY 6, 1999

CO-CHAIR ROKEBERG: Open to modification of the language and would welcome his help. This report is a transmittal to the Legislature to take this matter up in a timely fashion.

SENATOR LEMAN: Is frustrated with the APUC and its responses and has expressed this to the Chairman. In the last 1/2 year to 3/4 of the year the Commission has been at least from my perspective surprisingly cooperative in taking this up and I believe their interest in dealing with this is real and "I've been pleased with that." Doesn't know if that has anything to do with this committee, but has been pleased with the cooperation from the Commission. Is encouraged by what he is seeing. Does not see them proceeding blindly and being willing to make some massive changes. He believes the APUC as well as the Legislature will be very methodical in any changes that are made.

REPRESENTATIVE DYSON: Agrees with the Chairman. In talking with the APUC they have been in a position of regulating monopolies. Believes the APUC is looking for some policy direction. Doesn't believe they have been saying no, but have been looking for the very thing that you are offering, Mr. Chairman.

CO-CHAIR ROKEBERG: States there was a split between the various factions within the industry, as short as a year ago, about whether or not there was authority in the existing statute (indisc.). Split has "gone away" because of changing attitudes or legal interpretations, but was a major point of controversy for a number of years as to whether the APUC had the authority or not. Will be happy to work with Representative Davies in trying to modify that language in some respects, failing that to make comments in comment section about this issue.

REPRESENTATIVE DAVIES: This paragraph is the source of his discomfort. (indisc.) States APUC has regulatory authority that "we" granted them. We have the statutory authority to grant competition and that they would move in that direction. Doesn't think there are any constitution issues coming up. The issue is how important the members of the committee think it is to highlight the view that there is a (indisc.) shift. It would then be appropriate for the Legislature to change the statutes to make that "underscore"...to move this issue ahead, doesn't feel it is required. Doesn't feel there is any disagreement between the APUC & Legislature about who sets the policy.

CO-CHAIR ROKEBERG: This was an editorial comment. Will take another stab at rewriting. Believes there is a split in the committee about whether to grant the authority to the APUC in a clearer manner.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
JANUARY 6, 1999

REPRESENTATIVE DAVIES: Believes legislation at this point will be premature, as the study has not been done. Agrees that if we want to provide them guidance that we wanted to move ahead then there's the requirements of statutory changes. Brings up universal service and believes there needs to be more discussion before moving ahead.

CO-CHAIR ROKEBERG: We agree then. Let me make another stab at writing this....

REPRESENTATIVE HUDSON: Dropping off the line now, will read over the report that was sent down. Doesn't have the report in front of him. Will see the committee at the January 18, 1999 meeting. Congratulates the committee on the great job they are doing.

CO-CHAIR ROKEBERG: Thanks Representative Hudson and states that he will get a copy to him ASAP.

SENATOR LEMAN: Asks Representative Hudson and committee members since the Representative hasn't seen the report would it be better to move the meeting to 10:00 am.

Committee members discuss time of meeting and decide to meet at 10:00 am.

CO-CHAIR ROKEBERG: Thanks Representative Hudson for sitting in and looks forward to seeing him on January 18, 1999.

REPRESENTATIVE HUDSON: States that he and his staff are available to assist in any way possible.

REPRESENTATIVE DAVIES: One more comment, under APUC (indisc.) context of the question do you want broad or narrow recommendations.

CO-CHAIR ROKEBERG: Doesn't understand the question.

REPRESENTATIVE DAVIES: Reads this as the APUC is asking the Legislature here for guidance. "I haven't that." When asked the APUC states they would like policy guidelines. Equating broad with policy and narrow with regulation.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
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CO-CHAIR ROKEBERG: States that the committee review the minutes from the last meeting to clarify.

REPRESENTATIVE DAVIES: That is my recollection.

CO-CHAIR ROKEBERG: Not sure that he understands even after Representative Davies explained.....

REPRESENTATIVE DAVIES: The question that was put to the committee (as recalled) would/should there be broad policy guidance or that they be micromanaged.

CO-CHAIR ROKEBERG & REPRESENTATIVE DAVIES discuss this point further and CO-CHAIR ROKEBERG agrees to rewrite this point.

REPRESENTATIVE DAVIES: The last issue: Pilot program, supports the pilot in some form, but the committee does not have the entire scope of the RFP, does not know the right questions to lay out. States doing the pilot program first is putting the "cart before the horse."

SENATOR LEMAN: It is likely that the pilot will be restricted to the Anchorage market. Agrees with part of what he said. The consultant recognizes that the focus is on the pilot study itself limited to Anchorage. That much of the work should be done by that time and they will have the opportunity to make those comments. Doesn't feel it is inappropriate to conduct this study. Doesn't feel there will be much action or comment until after March 1st, possibly weeks after this.

CO-CHAIR ROKEBERG: Believes the language in the section about the pilot program is not time sensitive. State conclusions are being drawn based on the time frame within the RFP. States two different points of view that is where the disagreement is.

SENATOR LEMAN: Reiterates the thinking was....wanted the early deliverable in case any Legislative action would be necessary to deal with the pilot issue. Wanted to give adequate time to complete the study, did not want to force everything to be done at....aggressive schedule.

REPRESENTATIVE DAVIES: Continues to voice his concern about the pilot program. Doesn't have a problem with the schedule. Brings up recommendations on page 18, number 2 and number 3, not recommending that.

CO-CHAIR ROKEBERG: In the body, do you want to add any language about that issue.

JOINT COMMITTEE ON ELECTRIC UTILITY RESTRUCTURING
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REPRESENTATIVE DAVIES: Wants to have added his concern about the pilot program. He will voice his concerns in his comments that he will submit to the committee.

CO-CHAIR ROKEBERG: Comments are not time sensitive.

SENATOR LEMAN: Voices comments on the part of the draft report that talks about the changes in the contiguous 48 states, Hawaii is also currently or has studied restructuring, like us is not under the (indisc.). It is looking at the possibilities of some of the benefits of restructuring. Will give written comments to the committee on this subject. Recommendations on page 18, second recommendation: Not fully accurate, when we get the recommendations for the design of the pilot, if there are any, not if the Legislature considers whether or not the pilot should be implemented, the Legislature will respond if there is a need for Legislative action. The Commission is going to respond to the request for pilot, not the Legislature. Legislature is not the one who should decide whether to implement the pilot or not, that is up to the APUC. "We" will implement Legislation if any is necessary.

CO-CHAIR ROKEBERG: Doesn't agree with this.

SENATOR LEMAN: As sponsor of the legislation to do that, is not speaking against his own legislation. If the Commission is proceeding on track and take action and is not going to hide behind the lack of statutory authority as the reason for inaction, then "I" don't see a reason to have the legislation.

CO-CHAIR ROKEBERG & SENATOR LEMAN: Discuss this point further. Agree to disagree. Senator Leman will get written comments to the committee.

CO-CHAIR ROKEBERG: Question is whether we need any statutory authority to proceed with the pilot or what role should the Legislature play in that particular issue. Believes the Legislature should play a role in that.

SENATOR LEMAN: If necessary, "I" agree with you.

CO-CHAIR ROKEBERG: Brought up his concerns about the APUC's ability to proceed without legislative authority on something like this. Statute is silent on developing a pilot program. Agrees the language needs to be reviewed on number two. Any other comments on that point.

REPRESENTATIVE DAVIES: Agrees with Senator Leman.

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CO-CHAIR ROKEBERG: As this is a recommendation, there needs to be a consensus on it and make sure it is very clear.

SENATOR LEMAN: Talks about possible language, states again that the pilot will be limited to Anchorage. Will submit written language to the committee that is consistent with the committee's thinking on whether to take a vote in March or April.....will give it some thought.

CO-CHAIR ROKEBERG: Doesn't necessarily disagree....If the APUC has the authority to grant competition now then they would presumably have the authority to create a policy....another form of competition. Question about how and what form a program would take and what policy guidelines should be articulated by the Legislature.....the regulatory body. Who dictates the policy and how much authority Commission vs. the Legislature?

SENATOR LEMAN: Wants the committee to recommend and support an implementation of a pilot in Anchorage. Would like the pilot to be designed so that it perpetrates the necessary protections to accommodate stranded costs and reliability and some of the other issues that are important. If the Legislature has to draft legislation to give that direction to the APUC, I'm perfectly happy to do that. Do not vote on whether or not there should be a pilot study in Anchorage. Believes there should be a pilot study and be designed within these broad guidelines.

CO-CHAIR ROKEBERG: We will look forward to your written comments.

REPRESENTATIVE DYSON: Have two suggestions for the report. Page 12 under consumer protection; move consumer protection to first and then reword it to say consumer protection/consumer advocacy to insure the consumers obtained the lowest cost power consistent with safety, reliability and long term interest. Respectfully to the committee, the electrical industry in our state have been operating in a protected monopoly and have not had the normal forces to make them get "lean, mean and efficient." Why did electric utilities wait until they were forced to; too get efficient and to look after consumer interest. Thinks we have a public policy issue. 90% of our state (geographically) will not face competition. We do not have a consumer advocacy protection function working.

CO-CHAIR ROKEBERG: Appreciate your comments on moving it to first. Do you want to move the whole paragraph or.....

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REPRESENTATIVE DYSON: Move consumer protection ahead of consumer education. Add words I supplied or something like them. Will submit written language.

REPRESENTATIVE DAVIES: Has a few problems with the editorial comments. Brings up concerns and his disagreement regarding the APUC and their ability to function properly. States he believes the co-ops and others have tried to keep the best interest of their customers in mind.

REPRESENTATIVE DYSON: Accepts that and agrees with you, states that utilities are doing a good job and the consumer appears to be happy. What we don't have is a comparison of how good it could be. What was startling was the testimony from the producers stating that they were beginning to get leaner and meaner, starting to work at efficiency. There is quite a lot more to be done. The APUC (respectfully) waits for an issue to come in (a docket they call it), there is not a pro-active function there. Going out looking for how can our consumers get a better job done for them. It is not a part of their mission.

REPRESENTATIVE DYSON: They become involved when a utility comes in asking for a rate change. Would like to go onto page 13; second paragraph, no quarrel with what you said but how you said it, Mr. Chairman, electrical service is as important as the other utility from heating, cooking (indisc.) to running electronic equipment. Would like to add a few words here that underscores how important electric power is. I would add water treatment, public safety, air traffic control rescue operations medical services and education. We have a public policy question.

CO-CHAIR ROKEBERG: Any objections? Will you supply us with your written comments? We have a few minutes here to get through my amendments. Amendment one, any objections? No objections. Amendment two, any objections? No objections. Amendment three, any objections?

SENATOR LEMAN: I don't have any objections, I have a one or two page elucidation of principle from Senator Murkowski that you may want to incorporate either by appendixes or acknowledge by reference in this paragraph. Will find it and give to Co-Chair Rokeberg.

CO-CHAIR ROKEBERG: Comments about the states unique circumstances. That is why I put it in there. Amendment four, objections? No objections. Amendment five, objections? No objections. Amendment six, any objections?

REPRESENTATIVE DAVIES: There are some ideas that relate to that. The central one is that the universal division of power. What is the analysis of that. Question is to mandate that to make basic service available. You are saying.....I don't think that...I would have a problem with that unless you change the sentence a little more.

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CO-CHAIR ROKEBERG: We don't have an obligation to serve. You don't give power away just because you are a low-income person. By this I mean that you have a right for free service. That's what low-income assistance is.

REPRESENTATIVE DAVIES: But, I don't think that low-income assistance is synonymous with universal service.

CO-CHAIR ROKEBERG: Universal service in terms of electrical normally means providing the line out to the residence or the use and then having the cap, like the \$3,000.00 cap for the line. It is not as if we are granting free consumption. In Alaska....Mr. Lohr can you explain the regulation where you can't cut off power in the winter.

BOB LOHR, APUC: Mr. Chairman there is a regulation that below a certain temperature utilities shall not remove power. Even with adequate notification, adequate advance notice. The Commission several years ago viewed that question and see whether there were any utilities that were causing problems in that area and concluded there were no issues to raise the concern that the policy was adequately being observed.

CO-CHAIR ROKEBERG: Is that a Commission policy? Is it in regulation?

BOB LOHR: My recollection is it was a commission policy not a regulation. The question was whether or not a regulation was needed. The Commission after an extensive review of every certificate of electric utility in the state concluded that cold weather shut off was not a problem and was being handled responsibly by the electric industry.

CO-CHAIR ROKEBERG: There would be no recourse to the consumer if there was a cut off in low temperature because it is not part of the law.

BOB LOHR: It would be in accordance with did they follow their tariff. Is there a tariff provision that governs that and the Commission very definitely gets involved based on complaints all over the state. If there is an issue like that we have a toll-free number and we do respond to consumer complaints to insure the utilities are operating in accordance with their tariff, as well as, commissions, policies, regulations and statutes.

CO-CHAIR ROKEBERG: Commissioner Ornquist would you like to make a comment on this? (End of tape, inserted new tape in recorder, tape was defective, inserted new tape)
.....Guidance, it reminds me of ruling by the APOC, that they decided to interpret something somehow, but they didn't put it in regulation. They just decided to interpret it that way. Is it policy to do that? Policy & opinion is not law.