

Alaska Interconnected Railbelt Electric System

Donald W. Edwards | Dorsey & Whitney LLP

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Alaska Interconnected Railbelt Electric System: How is it Regulated?

- Railbelt utilities are regulated by the RCA
- There are other sources of authority, oversight and joint action

RCA Authority

- What does the RCA do and what is it authorized to do?
- Mainly it sets rates, but it has authority to do more

RCA Authority

- Rates §141, §431
- Certification (CPCN) §221
- Joint Use §311
- Service and safety standards §291
- Unreasonable management practices §511
- Other

RCA Authority

- 141(a) (rates)
 1. ***regulate every public utility*** ...except to the extent exempted by AS 42.05.711
 2. **investigate**, ... rates, classifications, rules, regulations, practices, services, and facilities and hold hearings on them
 3. ***make or require just, fair, and reasonable rates, classifications, regulations, practices, services, and facilities*** for a public utility

RCA Authority

- Certification (CPCN) §221
 - public convenience and necessity require or will require the service
 - fit, willing, and able to provide the utility services
 - grant application in whole or in part
 - terms and conditions to protect and promote the public interest

RCA Authority

- Joint Use §311
- A public utility having ...distribution or transmission facilities shall, for a reasonable compensation, permit another public utility to use them

RCA Authority

- Service and safety standards §291
 - If the commission ... finds ...facilities ... unreasonable, unsafe, inadequate, ...unreasonably discriminatory...the commission shall prescribe, by regulation or order, the reasonable, safe, adequate, sufficient service or facilities ... including all repairs, changes, alterations, extensions, substitutions, or improvements ... reasonably necessary...

RCA Authority

- Unreasonable Management Practices
§511
 - The commission may investigate the management of a public utility, ... for the purpose of determining inefficient or unreasonable practices ... may ..., take appropriate action to protect the public...

RCA Authority

- AS 42.05.141 includes penumbral authority to “do all things necessary or proper to carry out the purposes and exercise the powers expressly granted or reasonably implied in this chapter”?

RCA Authority

- There are some limits on Commission authority, as well:
 - §301 (cannot discriminate in rates)
 - §381 (rates just and reasonable – promote conservation)

RCA Authority

Constitutional limits

- *Hope and Bluefield* – rates cannot be confiscatory – includes reasonable return commensurate with other businesses operating with similar risks
- 14th amendment prohibition on taking property without due process

RCA Authority

- Can the Commission require formation of a G&T?
- Can the Commission require existing utilities to place their assets into a different corporation?
- No explicit authority

RCA Authority

- Is the action “necessary or proper to carry out the purposes and exercise the powers expressly granted or reasonably implied in this chapter”?
- Necessary or proper under the Commission’s authority to:
 - set Rates? §141, §431
 - determine whether public convenience and necessity justifies issuance or modification of a CPCN? §221

RCA Authority

- Necessary or proper under the Commission's authority to:
 - regulate joint use of facilities? §311
 - establish and enforce service and safety standards? §291
 - curtail unreasonable management practices? §511

Other Oversight

- All Railbelt electric utilities are either cooperatives or municipally-owned
- Municipals have a board, the Mayor and the Assembly overseeing them
- Cooperatives have boards directly elected by their members

Self-Regulation

- Acting according to their own views about what their customers need, Railbelt utilities frequently act together
- Indeed, the fact that the lights are on here is evidence of cooperation that goes on 24/7
- Day-to-day cooperation of the Chugach, ML&P and GVEA dispatchers

Self-Regulation

- Two agreements are emblematic self-regulation
- Alaska Intertie Agreement and the Bradley Lake Agreements
- Nominally these agreements set out the terms and conditions of sharing in State of Alaska-owned facilities but they have taken on another much larger role

Self-Regulation

- BPMC
- IOC
- Out of these grew the RUG – Railbelt Utility Group, an ad hoc committee of Railbelt managers used as a forum for discussion and even the occasional argument

Self-Regulation

- The State of Alaska has given notice of termination of Alaska Intertie Agreement - set to terminate in 3 years
- Addendum #1 to the Alaska Intertie Agreement sets out the rules of the road for transmission interconnection in the Railbelt
- HEA, ML&P, Chugach, GVEA and AEA developing substitute rules based on Federal standards- will take a year or more to complete

Self-Regulation

- Contracts can be the vehicle for joint action
 - The wholesale power agreements between Chugach, MEA, Seward and HEA are examples
 - The nonfirm sales agreement between Chugach and GVEA
 - Sales by ML&P to GVEA

Self-Regulation

- The JAA was recently formed
- Chugach and ML&P are currently investigating joint action

Future Oversight

- Current Oversight:
 - RCA regulation
 - Consumer-elected oversight
 - Contractual and other joint activities
- What additional oversight is needed?