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Greater Railbelt Energy and Transmission Corp. (HB 182)

GRETC

Testimony before the
House Special Committee on Energy
Alaska Legislature
April 1, 2010

My name is Ray Kreig. I am Chairman of Chugach Consumers — fiscally-concerned ratepayers that have worked for almost 20 years advocating for the general public interest and safe, reliable power at the lowest possible cost for all electric utility customers in South Central Alaska.

I am also former president of the Chugach Electric board and my comments here are supported by other former cooperative directors, officers, including board presidents, at Chugach and Matanuska Electric Associations. We also have support for this position from former members of the Homer Electric and Anchorage ML&P governing bodies.

Railbelt utilities want to maintain their monopoly in the Railbelt by creating their own unregulated power wholesaler through GRETC that would be funded by the state while independent power wholesalers would still be subject to RCA regulation.

The “crisis” in the Railbelt has been caused in large part by the utilities building business models that are only sustainable with continuing state subsidies. This must end and is not a sound business model for the long-term since oil revenues are declining.

We think the governance structure that GRETC would embed is fatally flawed. Its board will be made up with a majority of appointed directors from electric cooperatives whose own boards are effectively controlled by well-financed special interests. It will even further embed and intensify the current anticompetitive bias of the existing Railbelt cooperative and municipal utility culture that now charges some of the most exorbitant non-fuel costs in the country to customers — reference the Chugach Electric Blue Ribbon

Panel¹ findings and Mayor Sullivan's 2009 transition team report, utility section².

Furthermore, a key regulatory policy concern raised by GRETC is whether it can **effectively** be regulated **regardless** of whether the RCA attempts to regulate the COOPS at the retail level and GRETC at the wholesale level. The key public policy question is whether to create such an insular monopolist whose obvious purpose, in our opinion, is to raid the State treasury and choke off free enterprise.

We note that the 1914 Clayton Antitrust Act³ prohibits interlocking directorates in competing businesses that was a reaction to the practical impossibility of regulating monopolists who were creating their monopolies through interlocking directorates. GRETC to us looks like this kind of a structure.

Rather than getting lost in attempting to regulate an octopus, the U.S. Congress had the good sense to say NO to the brazen attempts to create and enlarge monopolies and erect barriers to protect monopolists from new entrants. Alaska needs to do the same.

The prohibition on interlocking directorates in the Clayton Act hasn't seen a lot of action — the FTC initiated an investigation into the overlapping membership between the Apple and Google boards which lead to a change in the board composition rather than face a formal complaint and reveal the inside exchange of information.

The claims being made by the electric cooperatives and munis for GRETC are false. It will not cause utilities to work better together. They will continue to fight with each other and lobby for more plunder from the state permanent fund and treasury. GRETC just creates another nuisance entity and forum that will embed millions of dollars more in institutional costs, personnel and resources for even more intensified lobbying and influence over the RCA, AEA, AIDEA, the Legislature and public opinion to push financing of projects and costly operating entities that make no rational economic sense.

¹ Blue Ribbon Panel Report To Chugach Electric Association, November 2007.
www.chugachconsumers.org/Lib/BRP.htm

² 2009 Transition Team Report to Mayor Dan Sullivan, July 23, 2009.
www.chugachconsumers.org/Lib/Sullivan2009_TransRept_UtilityEnergy.htm

³ www.answers.com/topic/clayton-antitrust-act

Former Deputy Revenue Commissioner Larry Persily told Mayor Sullivan's Energy Task Force recently that the claim of the electric utilities that they "can't get the bonding to build the billions of dollars in projects" they want should be evaluated with the background that if the projects made economic sense, there would be no problem bonding them. Chugach Consumers absolutely agrees.

We oppose GRETC and suggest to the Legislature that the many serious and substantial regulatory policy concerns stemming from the fatally flawed GRETC governance structure and likely anticompetitive outcomes will harm the public interest for generations of Railbelt electric customers if GRETC is rushed to enactment in anything like its present form.