

CS FOR SENATE BILL NO. 257(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 4/30/24

Referred: Finance

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Regulatory Commission of Alaska; relating to public utilities;**
2 **relating to electric reliability organizations; relating to the Alaska Energy Authority;**
3 **relating to the Railbelt Transmission Organization; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 42.04.020(a) is amended to read:

6 (a) The commission consists of five commissioners appointed by the governor
7 and confirmed by the legislature in joint session. To qualify for appointment as a
8 commissioner, a person must be a member in good standing of the Alaska Bar
9 Association or have a degree from an accredited college or university with a major in
10 engineering, finance, economics, accounting, business administration, or public
11 administration **and must have at least five years of actual experience in the**
12 **practice of law or in the field associated with the degree.** [ACTUAL
13 EXPERIENCE FOR A PERIOD OF FIVE YEARS IN THE PRACTICE OF LAW
14 OR IN THE FIELD OF ENGINEERING, FINANCE, ECONOMICS,

1 ACCOUNTING, BUSINESS ADMINISTRATION, OR PUBLIC
2 ADMINISTRATION IS EQUIVALENT TO A DEGREE.]

3 * **Sec. 2.** AS 42.05.381 is amended by adding a new subsection to read:

4 (p) A determination of whether an electric utility's rate is just and reasonable
5 may consider whether the purpose of the rate is to increase diversity of supply,
6 promote load growth, or enhance energy reliability or energy security.

7 * **Sec. 3.** AS 42.05.762 is amended to read:

8 **Sec. 42.05.762. Duties of an electric reliability organization.** An electric
9 reliability organization shall

10 (1) develop reliability standards that provide for an adequate level of
11 reliability of an interconnected electric energy transmission network;

12 (2) develop integrated resource plans under AS 42.05.780(a);

13 (3) establish rules to

14 (A) ensure that the directors of the electric reliability
15 organization and the electric reliability organization act independently from
16 users, owners, and operators of the interconnected electric energy transmission
17 network;

18 (B) equitably allocate reasonable dues, fees, and other charges
19 among all load-serving entities connected to the interconnected electric energy
20 transmission network for all activities under AS 42.05.760 - 42.05.790;

21 (C) provide fair and impartial procedures for the enforcement
22 of reliability standards;

23 (D) provide for reasonable notice and opportunity for public
24 comment, due process, openness, and balancing of interests in exercising its
25 duties; and

26 (4) **prioritize the reliability and stability of the interconnected**
27 **bulk-electric system served by the electric reliability organization while**
28 **considering cost to the consumer** [BE GOVERNED BY A BOARD THAT

29 (A) INCLUDES AS NONVOTING MEMBERS THE CHAIR
30 OF THE COMMISSION OR THE CHAIR'S DESIGNEE AND THE
31 ATTORNEY GENERAL OR THE ATTORNEY GENERAL'S DESIGNEE;

1 AND

2 (B) IS FORMED AS

3 (i) AN INDEPENDENT BOARD;

4 (ii) A BALANCED STAKEHOLDER BOARD; OR

5 (iii) A COMBINATION INDEPENDENT AND BALANCED
6 STAKEHOLDER BOARD].

7 * **Sec. 4.** AS 42.05 is amended by adding a new section to read:

8 **Sec. 42.05.763. Governance of an electric reliability organization.** (a) An
9 electric reliability organization shall be governed by a board of directors that is

10 (1) an independent board;

11 (2) a balanced stakeholder board; or

12 (3) a combination independent and balanced stakeholder board.

13 (b) The chair of the commission or the chair's designee and the attorney
14 general or the attorney general's designee shall serve as nonvoting members of the
15 board of directors of an electric reliability organization.

16 (c) A voting member of the board of an electric reliability organization must

17 (1) be appointed by a utility that participates in the electric reliability
18 organization;

19 (2) be a member in good standing of the Alaska Bar Association with
20 at least five years of actual experience in the practice of law;

21 (3) have a degree in engineering, finance, economics, accounting,
22 business administration, or public administration and at least five years of actual
23 experience in the field associated with the degree; or

24 (4) have owned, operated, overseen, or developed, for a period of at
25 least five years, a generation facility of at least 10 megawatts connecting at a
26 transmission voltage of 69 kilovolts or higher.

27 * **Sec. 5.** AS 42.05.765(a) is amended to read:

28 (a) An electric reliability organization shall **develop, monitor, and enforce**
29 **reliability standards that ensure the stable operation of the interconnected bulk-**
30 **electric system served by the electric reliability organization, coordinate with the**
31 **Railbelt Transmission Organization when developing reliability standards if the**

1 **electric reliability organization serves the Railbelt, and** file each reliability standard
 2 or modification to a reliability standard with the commission as a new or revised tariff
 3 provision. All users, owners, and operators of an interconnected electric energy
 4 transmission network served by an electric reliability organization, including a user,
 5 owner, or operator that is exempt from other regulation under AS 42.05.711 or another
 6 provision of this chapter, shall comply with reliability standards contained in a tariff
 7 that is approved by the commission. The commission may enforce a reliability
 8 standard approved under this section. A reliability standard approved under this
 9 section

10 (1) shall provide for the reliable operation of the interconnected
 11 electric energy transmission network or of an interconnected electric energy
 12 transmission network facility;

13 (2) may provide for

14 (A) protection from a cybersecurity incident;

15 (B) facility security;

16 (C) additions or modifications to an interconnected bulk-
 17 electric system facility to the extent necessary to provide for reliable operation
 18 of the interconnected electric energy transmission network;

19 (3) may result in, but may not be designed for the purpose of, requiring
 20 enlargement of interconnected bulk-electric system facilities or construction of new
 21 transmission capacity or generation capacity.

22 * **Sec. 6.** AS 42.05.770 is amended to read:

23 **Sec. 42.05.770. Regulations.** The commission shall adopt regulations
 24 governing electric reliability organizations, reliability standards, and modifications to
 25 reliability standards consistent with this section. Regulations under AS 42.05.760 -
 26 42.05.790 must

27 (1) require that an electric reliability organization's tariff include

28 [(A) STANDARDS FOR] nondiscriminatory **standards for**
 29 [OPEN ACCESS TRANSMISSION AND] interconnection;

30 [(B) STANDARDS FOR TRANSMISSION SYSTEM COST
 31 RECOVERY;]

1 (2) provide a process to identify and resolve conflicts between a
 2 reliability standard and a function, rule, tariff, rate schedule, or agreement that has
 3 been accepted, approved, adopted, or ordered by the commission;

4 (3) allow an electric reliability organization to recover its costs through
 5 surcharges added to the rate for each participating load-serving entity; **costs**
 6 **recovered each year under regulations adopted under this paragraph may not**
 7 **exceed \$1,200,000.**

8 * **Sec. 7.** AS 42.05.772 is amended by adding a new subsection to read:

9 (b) A load-serving entity, including a load-serving entity otherwise exempt
 10 from regulation under this chapter, in an interconnected bulk-electric system served by
 11 an electric reliability organization shall adhere to the electric reliability organization's
 12 reliability standards and coordinate with the electric reliability organization and, if
 13 applicable, the Railbelt Transmission Organization to integrate the electric reliability
 14 organization's reliability standards into operational procedures.

15 * **Sec. 8.** AS 42.05.790 is amended by adding new paragraphs to read:

16 (8) "Railbelt" has the meaning given in AS 44.83.750;

17 (9) "Railbelt Transmission Organization" means the transmission
 18 organization established by AS 44.83.700.

19 * **Sec. 9.** AS 44.83.080 is amended to read:

20 **Sec. 44.83.080. Powers of the authority.** In furtherance of its corporate
 21 purposes, the authority has the following powers in addition to its other powers:

22 (1) to sue and be sued;

23 (2) to have a seal and alter it at pleasure;

24 (3) to make and alter bylaws for its organization and internal
 25 management;

26 (4) to adopt regulations governing the exercise of its corporate powers;

27 (5) to improve, equip, operate, and maintain power projects and bulk
 28 fuel, waste energy, energy conservation, energy efficiency, and alternative energy
 29 facilities and equipment;

30 (6) to issue bonds to carry out any of its corporate purposes and
 31 powers, including the establishment or increase of reserves to secure or to pay the

1 bonds or interest on them, and the payment of all other costs or expenses of the
2 authority incident to and necessary or convenient to carry out its corporate purposes
3 and powers;

4 (7) to sell, lease as lessor or lessee, exchange, donate, convey, or
5 encumber in any manner by mortgage or by creation of any other security interest, real
6 or personal property owned by it, or in which it has an interest, when, in the judgment
7 of the authority, the action is in furtherance of its corporate purposes;

8 (8) to accept gifts, grants, or loans from, and enter into contracts or
9 other transactions regarding them, with any person;

10 (9) to deposit or invest its funds, subject to agreements with
11 bondholders;

12 (10) to enter into contracts with the United States or any person and,
13 subject to the laws of the United States and subject to concurrence of the legislature,
14 with a foreign country or its agencies, for the construction, financing, operation, and
15 maintenance of all or any part of a power project or bulk fuel, waste energy, energy
16 conservation, energy efficiency, or alternative energy facilities or equipment, either
17 inside or outside the state, and for the sale or transmission of power from a project or
18 any right to the capacity of it or for the security of any bonds of the authority issued or
19 to be issued for the project;

20 (11) to enter into contracts with any person and with the United States
21 and, subject to the laws of the United States and subject to the concurrence of the
22 legislature, with a foreign country or its agencies for the purchase, sale, exchange,
23 transmission, or use of power from a project, or any right to the capacity of it;

24 (12) to apply to the appropriate agencies of the state, the United States,
25 and a foreign country and any other proper agency for the permits, licenses, or
26 approvals as may be necessary, to acquire, construct, maintain, and operate power
27 projects in accordance with the licenses or permits, and to obtain, hold, and use the
28 licenses and permits in the same manner as any other person or operating unit;

29 (13) to enter into contracts or agreements with respect to the exercise
30 of any of its powers, and do all things necessary or convenient to carry out its
31 corporate purposes and exercise the powers granted in this chapter;

1 (14) to recommend to the legislature

2 (A) the pledge of the credit of the state to guarantee repayment
3 of all or any portion of revenue bonds issued to assist in construction of power
4 projects;

5 (B) an appropriation from the general fund

6 (i) for debt service on bonds or other project purposes;

7 or

8 (ii) to reduce the amount of debt financing for the
9 project;

10 (15) to carry out the powers and duties assigned to it under AS 42.45
11 **and AS 44.83.700 - 44.83.750;**

12 (16) to make grants or loans to any person and enter into contracts or
13 other transactions regarding the grants or loans;

14 (17) to promote energy conservation, energy efficiency, and alternative
15 energy through training and public education;

16 (18) to acquire a Susitna River power project, whether by construction,
17 purchase, gift, or lease, including the acquisition of property rights and interests by
18 eminent domain under AS 09;

19 (19) to perform feasibility studies and engineering and design with
20 respect to power projects;

21 **(20) to acquire battery energy storage systems, whether by direct**
22 **ownership, purchase, grant, gift, or lease.**

23 * **Sec. 10.** AS 44.83 is amended by adding new sections to read:

24 **Article 5A. Railbelt Transmission Organization.**

25 **Sec. 44.83.700. Railbelt Transmission Organization.** (a) The Railbelt
26 Transmission Organization is established in the Alaska Energy Authority for the
27 purpose of overseeing, managing, and developing the backbone transmission system
28 serving the Railbelt and conducting strategic planning to enhance the future transfer
29 capabilities, resilience, reliability, and efficiency of the backbone transmission system.

30 (b) The governance structure for the transmission organization must

31 (1) provide for oversight of the transmission organization by a

1 management committee that is made up of

2 (A) representatives from each of the Railbelt utilities;

3 (B) the executive director of the authority;

4 (C) the chief executive officer of the applicable electric
5 reliability organization, or the chief executive officer's designee;

6 (D) an individual who represents a person, other than a public
7 utility, that owns or operates a facility for the generation of electricity; and

8 (E) an individual who represents a labor organization engaged
9 in collective bargaining with a Railbelt utility;

10 (2) include a conflict resolution process; and

11 (3) facilitate public participation in the operations of the transmission
12 organization.

13 (c) The provisions of AS 44.83.700 - 44.83.750 do not limit, extend, or
14 otherwise alter the rights and obligations as provided in AS 42.05.221 - 42.05.281 of a
15 public utility certificated under AS 42.05.221.

16 (d) Notwithstanding AS 44.83.090(b), the transmission organization is subject
17 to the jurisdiction of the commission. The commission shall adopt regulations under
18 AS 44.62 (Administrative Procedure Act) necessary to carry out its powers and duties
19 under AS 44.83.700 - 44.83.750, including defining by regulation the term "backbone
20 transmission asset."

21 **Sec. 44.83.710. Powers and duties.** (a) The transmission organization shall

22 (1) manage backbone transmission assets;

23 (2) follow reliability standards developed by the applicable electric
24 reliability organization;

25 (3) ensure the safe, resilient, reliable, efficient, and economical
26 operation and development of the backbone transmission system;

27 (4) preserve nondiscriminatory open access to the backbone
28 transmission system subject to legitimate technical constraints and congestion;

29 (5) maintain the capacity rights of legacy transmission owners to
30 access firm load and legacy generation resources served by the backbone transmission
31 system;

- 1 (6) perform integrated transmission planning under AS 44.83.730;
- 2 (7) purchase, lease, or otherwise acquire effective operational control
- 3 of backbone transmission assets;
- 4 (8) subject to the approval of the commission, establish tariffs related
- 5 to the backbone transmission system under AS 44.83.720.

6 (b) The transmission organization may

- 7 (1) construct, own, and operate new backbone transmission assets; and
- 8 (2) enter into contracts, agreements, and partnerships that enhance
- 9 safety, resiliency, reliability, and efficiency of the backbone transmission system.

10 (c) The transmission organization may not exchange, donate, sell, or otherwise

11 convey a backbone transmission asset owned by the transmission organization without

12 approval of the legislature in advance of the effective date of the conveyance.

13 (d) The transmission organization shall ensure that work performed on new

14 construction and maintenance of backbone transmission assets controlled by the

15 transmission organization is prioritized to give first preference to the Railbelt utility

16 that serves the area in which the work is performed. The transmission organization

17 shall compensate the utility for reasonable and necessary expenses the utility incurs in

18 performing the work. The work must be performed subject to the terms and conditions

19 of any existing collective bargaining agreements.

20 (e) The transmission organization may adopt regulations necessary to

21 implement AS 44.83.700 - 44.83.750.

22 **Sec. 44.83.720. Revenue mechanism.** (a) The transmission organization shall

23 hold and administer a commission-approved open access transmission tariff that

24 ensures nondiscriminatory access to the backbone transmission system.

25 (b) The transmission organization shall adopt a commission-approved

26 transmission cost recovery methodology that ensures the reliability and sufficient

27 capacity of the backbone transmission system to support and promote state and

28 regional energy policies and a rigorous, dynamic economy.

29 (c) The cost recovery methodology for the transmission organization must, as

30 approved by the commission,

- 31 (1) pool backbone transmission system costs and allocate those costs

1 through certificated load-serving entities on a coincident peak or load ratio share basis,
2 or a combination of both; and

3 (2) account for

4 (A) required backbone transmission system ancillary services;

5 (B) backbone transmission system congestion; and

6 (C) disruptions to the backbone transmission system that result
7 in the isolation of one geographical area of the backbone transmission system
8 from another for more than 24 hours.

9 (d) A Railbelt utility shall pass the commission-approved transmission costs
10 directly and transparently to the utility's customers.

11 (e) A Railbelt utility that provides service exclusively on the Kenai Peninsula
12 is not subject to the cost recovery methodology for the transmission organization until

13 (1) the transmission line between the Kenai Peninsula and Anchorage
14 is upgraded to a capacity of 230 kilovolts; or

15 (2) a high-voltage submarine cable between the Kenai Peninsula and
16 the area near Beluga is operational.

17 **Sec. 44.83.730. Integrated transmission planning.** (a) At least once every 10
18 years, the transmission organization shall, in consultation with stakeholders, create and
19 review an integrated transmission plan for the backbone transmission system.

20 (b) The integrated transmission plan must articulate the strategic trajectory,
21 operational blueprint, capital improvement funding requirements, and developmental
22 outlook for the backbone transmission system, considering projected load growth,
23 technological advancement, fuel supply projections, generation plans, safety,
24 resiliency, reliability, efficiency, and economic impacts.

25 (c) The transmission organization shall seek feedback and input from the
26 public throughout the integrated transmission plan development process to ensure that
27 the plan reflects a broad range of perspectives and addresses community and industry
28 concerns.

29 **Sec. 44.83.740. Transfer management of assets.** (a) To achieve the integrated
30 and streamlined governance of the backbone transmission system, the transmission
31 organization shall identify the existing backbone transmission assets that are part of

1 the backbone transmission system, and the Railbelt utilities shall transfer management
2 of those assets to the transmission organization on or before July 1, 2026.

3 (b) The authority shall transfer backbone transmission assets identified under
4 (a) of this section that are owned or managed by the authority to the transmission
5 organization.

6 (c) A Railbelt utility shall pay penalties as determined by the commission for
7 failure to transfer management of backbone transmission assets to the transmission
8 organization as required under this section.

9 **Sec. 44.83.750. Definitions.** In AS 44.83.700 - 44.83.750,

10 (1) "backbone transmission system" means the backbone transmission
11 assets in the Railbelt that facilitate the transfer of large-scale electrical power between
12 or across separate geographical areas; "backbone transmission system" does not
13 include assets that would be considered distribution facilities or radial facilities under
14 the standards established by the Federal Energy Regulatory Commission;

15 (2) "commission" means the Regulatory Commission of Alaska;

16 (3) "interconnected electric energy transmission network" has the
17 meaning given in AS 42.05.790;

18 (4) "Railbelt" means the geographic region from the Kenai Peninsula
19 to Interior Alaska that is connected to a common electric transmission backbone;

20 (5) "Railbelt utility" means a public electric utility certificated to
21 operate in the Railbelt;

22 (6) "transmission organization" means the Railbelt Transmission
23 Organization established by AS 44.83.700.

24 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
25 read:

26 **APPLICABILITY AND TRANSITION: ELECTRIC RELIABILITY**
27 **ORGANIZATIONS.** (a) AS 42.05.763, added by sec. 4 of this Act, applies to an electric
28 reliability organization with a certificate issued or renewed by the Regulatory Commission of
29 Alaska on or after the effective date of sec. 4 of this Act, except that an existing member of
30 the board of a certificated electric reliability organization who does not meet the qualifications
31 may continue to serve until the member's successor is appointed.

1 (b) AS 42.05.770(3), as amended by sec. 6 of this Act, applies to costs incurred by an
2 electric reliability organization on or after the effective date of sec. 6 of this Act.

3 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 TRANSITION: AGREEMENT BETWEEN ALASKA ENERGY AUTHORITY
6 AND RAILBELT UTILITIES. To ensure the successful implementation of AS 44.83.700 -
7 44.83.750, added by sec. 10 of this Act, on or before July 1, 2025, the Alaska Energy
8 Authority and the Railbelt utilities, as defined in AS 44.83.750, added by sec. 10 of this Act,
9 shall develop an agreement to implement AS 44.83.700 - 44.83.750, added by sec. 10 of this
10 Act. The agreement must establish a governance structure for the Railbelt Transmission
11 Organization established under AS 44.83.700, added by sec. 10 of this Act, that is modeled
12 after the governance structure of the Bradley Lake Hydroelectric Project, as outlined in the
13 Bradley Lake Power Sales Agreement, including the creation, duties, and methods of the
14 Bradley Lake Project Management Committee, dispute resolution, budgeting, financing, and
15 delegation of operations, with any adjustments the parties to the agreement determine are
16 necessary to accommodate the requirements of AS 44.83.700 - 44.83.750, added by sec. 10 of
17 this Act.

18 * **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 TRANSITION: INITIAL INTEGRATED TRANSMISSION PLAN AND CAPITAL
21 IMPROVEMENT PROGRAM. The Alaska Energy Authority shall immediately assume the
22 integrated transmission planning duties under AS 44.83.730, added by sec. 10 of this Act,
23 develop an initial integrated transmission plan as soon as practicable, and begin execution of a
24 five-year transmission capital improvement program based on the plan as soon as practicable.
25 The authority shall transfer the responsibility for the plan and program to the Railbelt
26 Transmission Organization established under AS 44.83.700, added by sec. 10 of this Act,
27 after the agreement establishing the governance structure of the organization under sec. 12 of
28 this Act has been executed.

29 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 TRANSITION: REGULATORY COMMISSION OF ALASKA MEMBERS. An

1 individual who is a member of the Regulatory Commission of Alaska on the day before the
2 effective date of sec. 1 of this Act continues to serve on the Regulatory Commission of Alaska
3 until the member's term expires and a successor is appointed and qualified. The governor shall
4 make appointments for vacancies that occur on or after the effective date of sec. 1 of this Act
5 in accordance with AS 42.04.020(a), as amended by sec. 1 of this Act.

6 * **Sec. 15.** Sections 12 and 13 of this Act take effect immediately under AS 01.10.070(c).

7 * **Sec. 16.** Except as provided in sec. 15 of this Act, this Act takes effect July 1, 2024.