



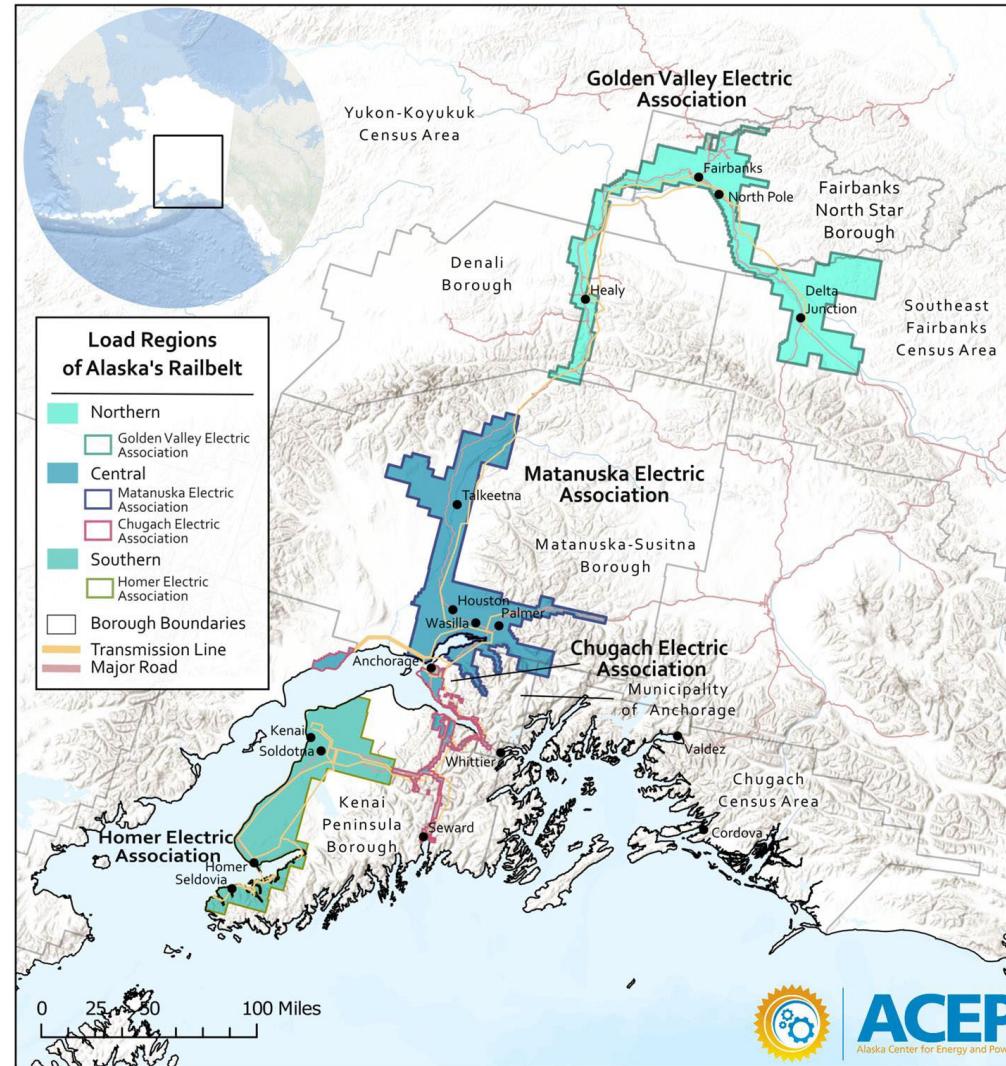
House Bill 368

ELECTRICAL ENERGY & ENERGY PORTFOLIO STANDARDS

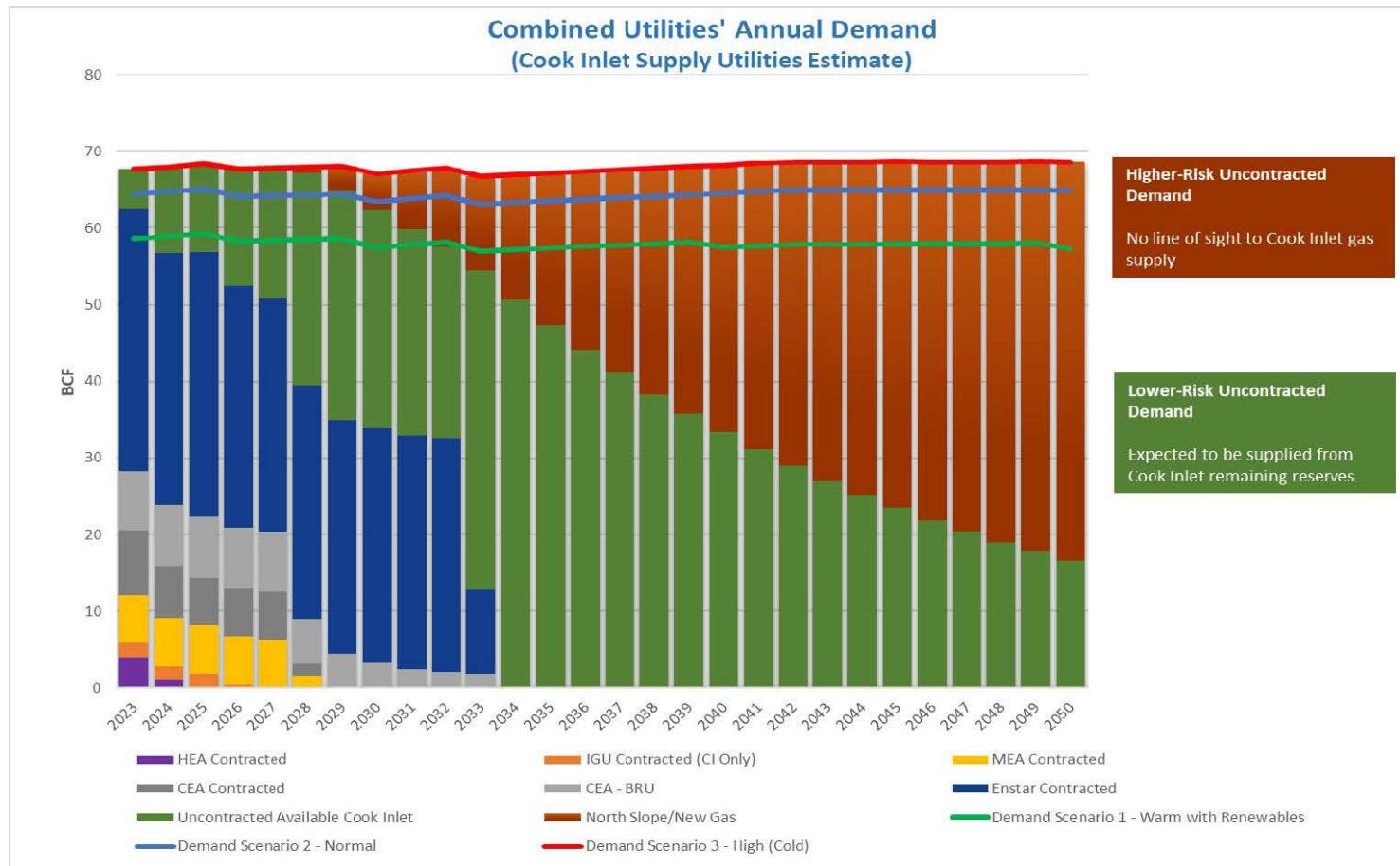
House Energy Special Committee

House Bill 368

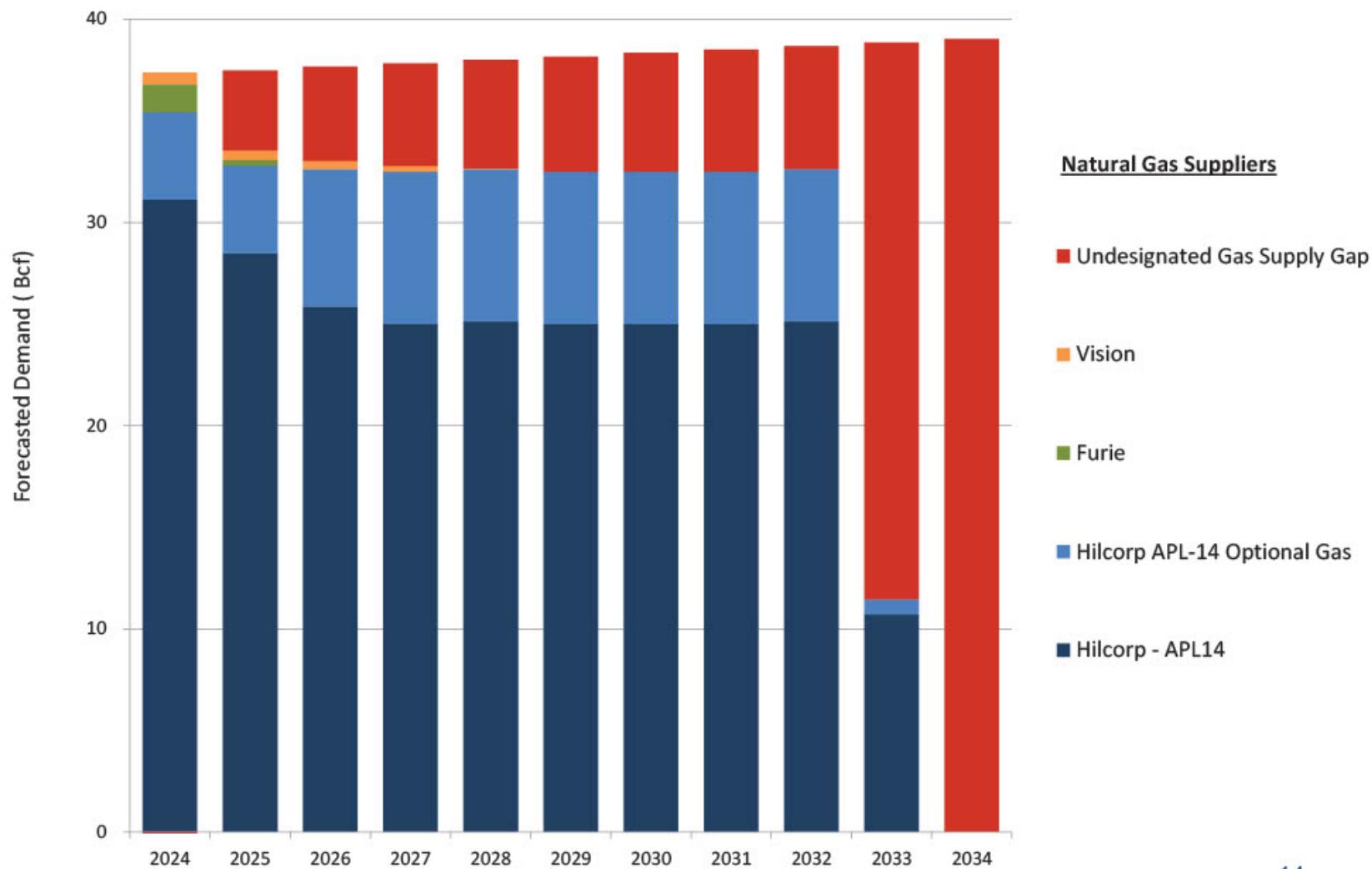
Alaska's Energy Landscape



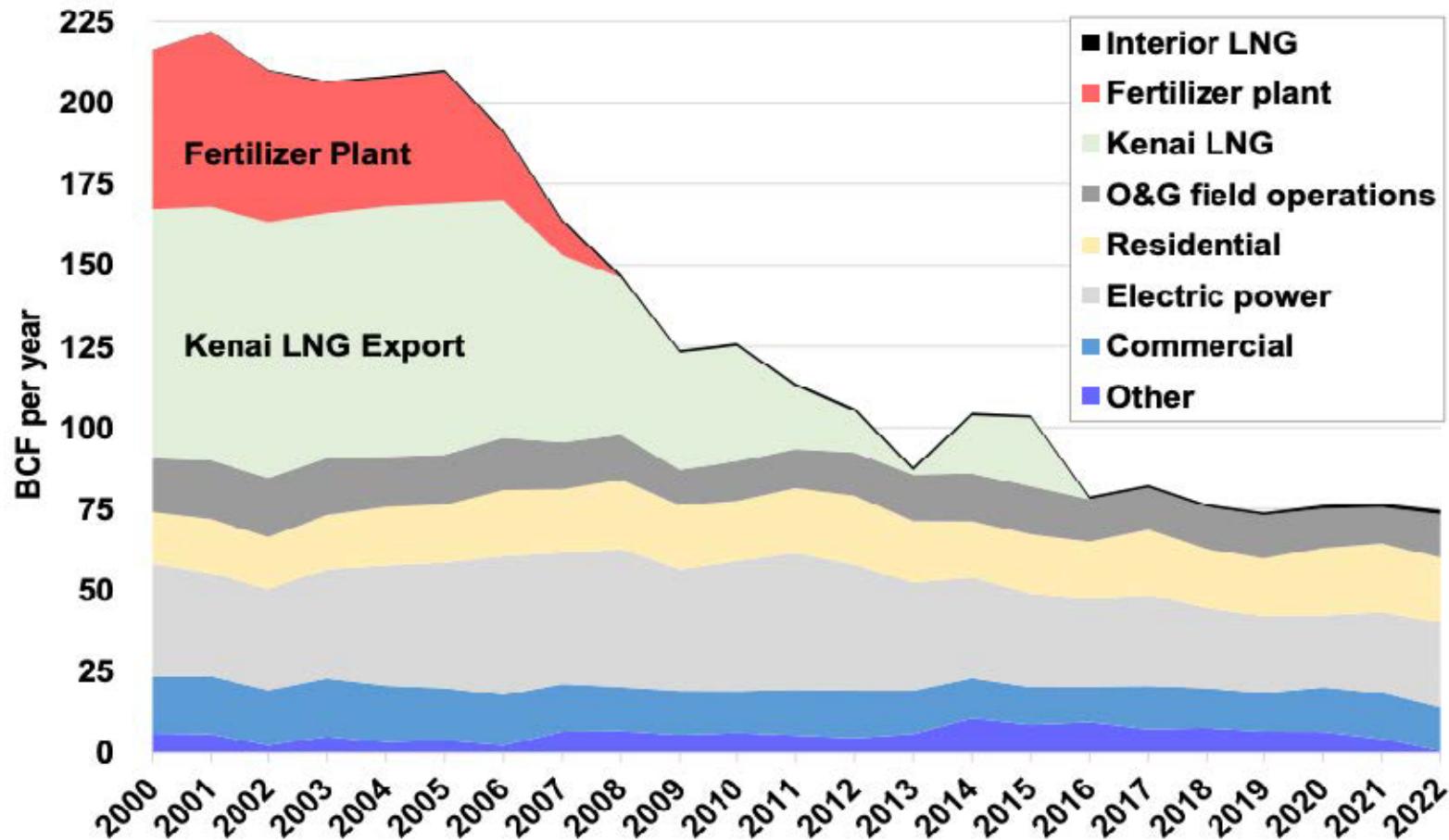
Combined Utility Annual Demands



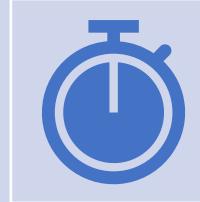
ENSTAR Gas Supply Forecast 2024-2034



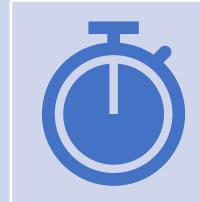
Historical Demand and Uses



ENSTAR Presentation, Key Considerations

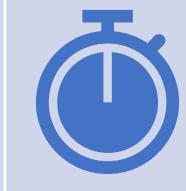


None of the Options meet the LNG demands for the 4-year milestone (first gas 4Q2027)



The second worst thing for Alaska is to import LNG. The worst thing is to do nothing.

HB 368, a Legislative Response



HB 368 is a proactive legislative measure aiming to establish a Clean Energy Portfolio Standard & Introduce Clean Energy Tax Credits to leverage private funding and close production gaps.



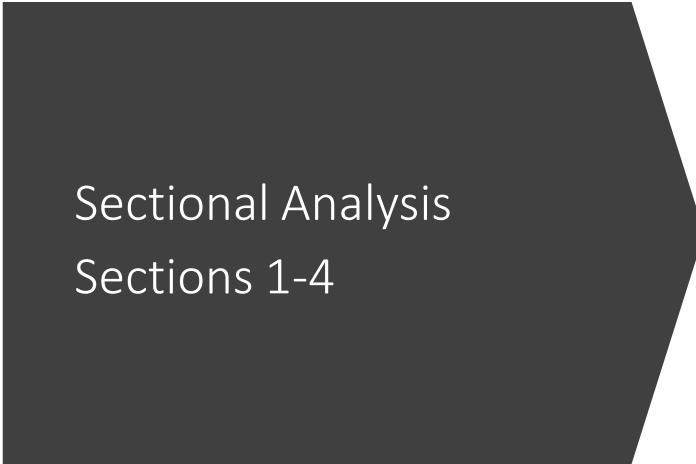
Diversifying Alaska's energy portfolio with clean energy sources not only extends the life of Cook Inlet's natural gas reserves for critical heating needs but also offers gas producers a definitive roadmap for the future, enhancing their capacity for strategic planning and investment.

Bill Overview, HB 368

- Within 10 years following the completion of transmission upgrades, 35% of the sales in the load-serving entity's portfolio must originate from clean energy sources.
- Within 25 years post-upgrade, or upon the connection of the Railbelt's interconnected electric energy transmission network to the service area of the CVEA (whichever occurs later), 60% of sales must be derived from clean energy sources.

1. Clean Energy Standards: HB 368 sets forth a legislative framework to establish clean energy standards for electric utilities in Alaska. It mandates a phased increase in the use of clean energy sources, aiming for utilities to achieve specific targets of their net electricity sales from renewable or carbon-neutral sources by certain deadlines.

2. Clean Energy Transferable Tax Credits: Introduces a mechanism for clean energy transferable tax credits to incentivize investments in clean energy infrastructure and production.



Sectional Analysis
Sections 1-4

Section 1: Uncodified Law

Adds a new section to the uncodified law of Alaska, which establishes the purpose of this Act, which is to set a clean energy portfolio standard for electric utilities, mandating increasing percentages of their net electricity sales from renewable or carbon-neutral sources.

Section 2: AS 42.05.381 is amended by adding a new subsection (p)

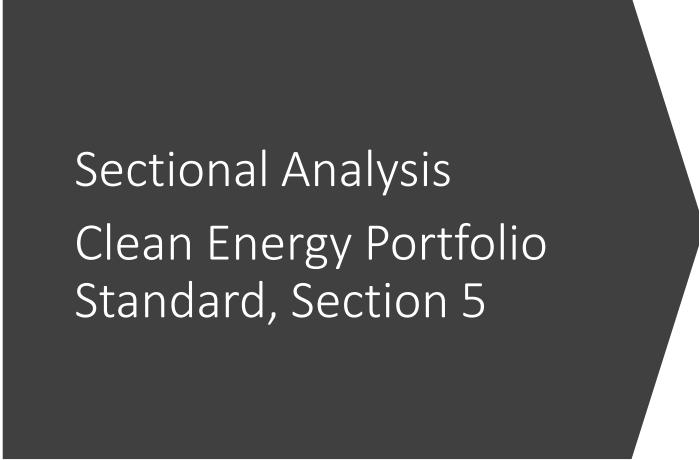
Introduces a new subsection (p) under AS 42.05.381, mandating a uniform service rate for the transmission of clean energy generated after July 1, 2024.

Section 3: AS 42.05.780(a) is amended

Amends AS 42.05.780(a) by mandating that an integrated resource plan must now identify the most cost-effective strategies for the energy network to satisfy the clean energy standard.

Sec. 4. AS 42.05.785(a) is amended to read

Amends AS 42.05.785(a) by adding subsection (4) stipulating the construction of large energy facilities may not be detrimental to a load-serving entities ability to meet the CES.



Sectional Analysis
Clean Energy Portfolio
Standard, Section 5

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.900(a)-(i) Clean Energy Portfolio Standard

- (a) Adds section (a) to AS 42.05, establishing the clean energy portfolio standard and detailing requirements and percentages for clean energy sources. Specifies the minimum percentages of clean energy sources in the utilities' sales portfolio, with a gradual increase over a specified timeline.
- (b) Allows a power purchase agreement to be included when calculating CES percentages. And requirements for such.
- (c) Allows for distributed energy systems to satisfy the CES.
- (d) Bases the clean energy standard compliance on historical data, and industry standards, set by Regulatory Commission of Alaska.
- (e) Mandates accounting system to track use of clean energy, verify compliance, and to track energy consumption displaced by energy efficiency investments.
- (f) Sets requirements for the RCA to develop a proxy for net energy from displaced energy systems.

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

- g) Allows for clean energy standards to be met by energy efficiency investments, including in consumer efficient upgrades.
- h) Directs the RCA to establish regulations for a load-serving entity to opt-out of the clean energy standard under certain requirements, and denies eligibility for a utility to receive clean energy transferable tax credits if it does.
- i) Directs the RCA to adopt a minimum standard for transmission lines before the clean energy standards are required. 10 years for step one after lines are complete and 25 years, with the transmission lines built out to encompass the road system, for step 2.

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.905(a)-(c) Reporting

- a) Details the reporting requirements for utilities, including the submission of annual reports demonstrating compliance.
- b) Assigns a role to the regulatory commission in monitoring and verifying compliance with the standard.
- c) Empowers the RCA to investigate compliance with the standard

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.910.(a)-(e) Clean Energy Transferable Tax Credits

1. Allows for a load-serving entity to apply for the clean energy transferable tax credits, sets the credit amount to 0.2 cents per kilowatt-hours. Defines what entities would qualify.
2. Defines facilities that would qualify

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.915.(a)-(d) Waiver

- a) Allows for and sets standards for the RCA to waive the requirement to meet the CES.
- b) Sets out the standards for events or circumstances outside of a load-serving entities reasonable control.
- c) Sets standards for good cause of non-compliance.
- d) Restricts eligibility to apply for clean energy transferable tax credits while under a waiver.

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.920.(a)-(b) Exemptions

- a) Exempts individual load-serving entities from compliance if the overall grid is meeting the Clean Energy Portfolio Standards.
- b) Allows for exemption for a load-serving entity from its first noncompliance period.

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.925.(a)-(b) Net Billing

- a) Sets standards for net billing and an export rate credit.
- b) Charges the RCA to establish regulation to set the ERC annually based on seasonal and time variations, and other relevant factors.

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.930 Additional Energy Resources

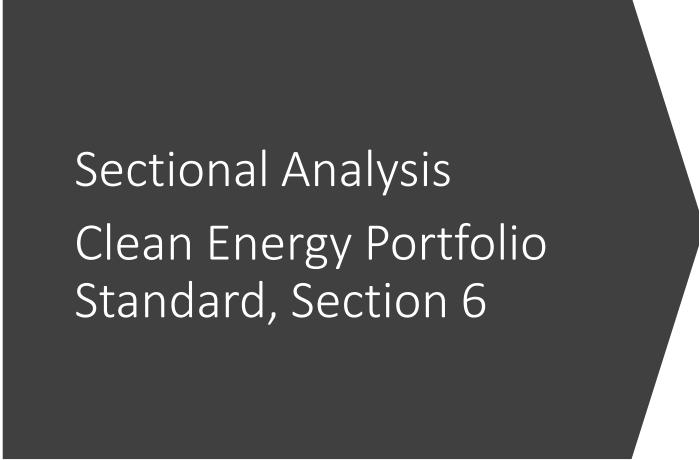
- a) Requires the AEA to submit a report at least every 5 years to the legislature to recommend if any new technologies are to be added to the definition of Clean Energy.

Sectional Analysis
Clean Energy Portfolio
Standard, Section 5
Cont.

Section 5: AS 42.05 Article 11A. Clean Energy Portfolio Standard.

Sec. 42.05.935. Definitions

1. “Clean Energy”
2. “Clean Energy Standard”
3. “Compliance Period”
4. “Distributed Energy Systems”
5. “Interconnected Electric Energy Transmission Network”
6. “Load- Serving Entity”
7. “Railbelt”
8. “Renewable Energy Resource”
9. “Transmission Network Constraint”



Sectional Analysis
Clean Energy Portfolio
Standard, Section 6

Section 6: AS 42.45.110(a) Costs used to Calculate PCE

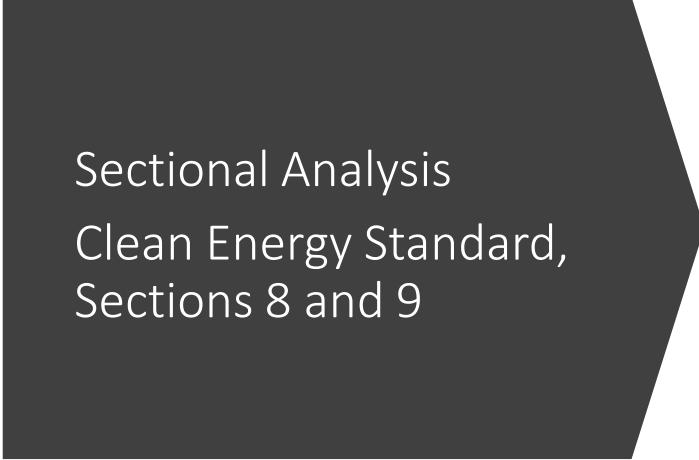
This section amends AS 42.45.110(a) to stipulate that revenue from Clean Energy Credits or recovered heat is not to be included.

Sectional Analysis
Clean Energy
Transferable Tax Credit,
Section 7

Section 7: AS 43.98 is amended by adding a new section.

Clean Energy Transferable Tax Credit, Article 5

- a) Sets the foundation for the clean energy transferable tax credit, sets transparency standards for those provided the tax credit.
- b) Allows clean energy transferable tax credits to be sold, assigned, exchanged, conveyed, or otherwise transferred in whole or in part.
- c) Allows the credit to be used to offset taxes in AS 10.25 and Title 43.
- d) Instructs the department of revenue to adopt regulations necessary for administrating the Tax Credits
- e) Sets the requirement that a clean energy transferable tax credit be used within 5 years.
- f) Restricts a clean energy transferable tax credit from reducing a person's tax liability below zero.
- g) Allows holders of clean energy tax credit certificates to combine or split their credits for transactions like sales or transfers. The Department must issue new certificates for combined or split credits, detailing their amounts and expiration dates. This process doesn't extend the credits' validity period.



Sectional Analysis
Clean Energy Standard,
Sections 8 and 9

Sec. 8. AS 44.83.940 is amended by adding a new subsection:

Section (b) mandates that the authority must submit an annual report to the legislature's first regular session, detailing progress on rural clean energy development. This report should evaluate current initiatives, identify needed infrastructure, and assess the feasibility and costs of future projects.

Section 9: Effective Date Clause

This Act takes effect July 1, 2024.

Bottom Line: HB 368's Impact on Alaska's Future



Energy Security: Strengthens Alaska's energy independence by diversifying supply sources, reducing reliance on Cook Inlet gas.



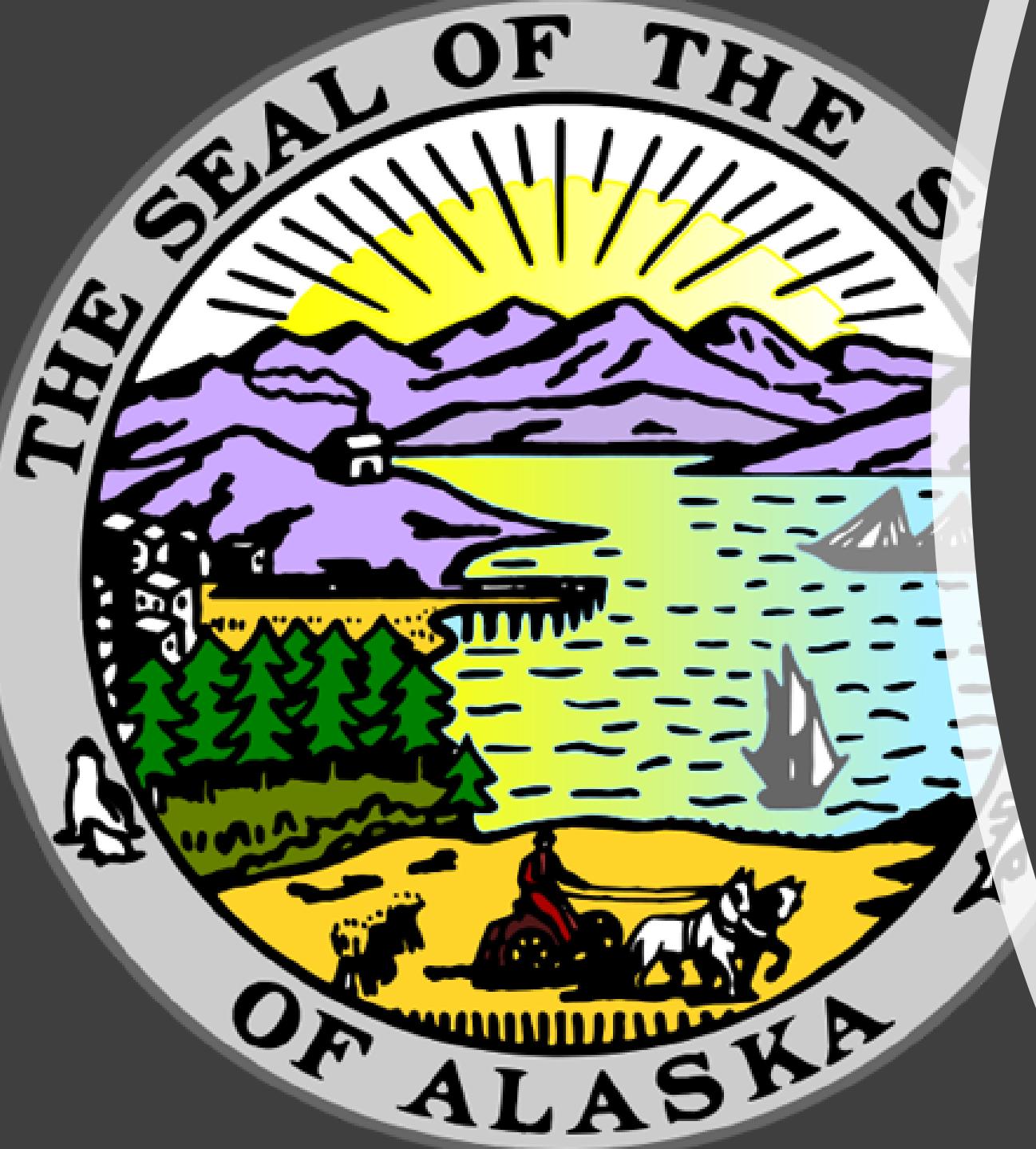
Economic Growth: Stimulates the economy by creating jobs in the clean energy sector and attracting industries seeking sustainable operations.



Public-Private Partnerships: Encourages innovative collaborations, driving both clean energy initiatives and broader industrial development.



Legislative Leadership: Showcases Alaska's proactive approach in energy policy, setting a benchmark for sustainable and forward-thinking legislation.



Questions?

Representative George Rauscher
(907)465-4859
Rep.George.Rauscher@akleg.gov

Craig Valdez
(907)465-1091
Craig.Valdez@akleg.gov