

# ALASKA STATE LEGISLATURE

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### CS FOR SENATE BILL 217 (RES) *INTEGRATED TRANSMISSION SYSTEMS* SECTIONAL ANALYSIS (version S)

- Section 1:** Amends AS 42.04.020(a) to clarify and update the qualifications of individuals nominated to serve as a commissioner for the Regulatory Commission of Alaska (RCA).
- Section 2:** Amends AS 42.05.254(a) to increase the regulatory surcharge used to fund operations of the RCA.
- Section 3:** Amends AS 42.05.381 by clarifying that the RCA may consider diversity of energy supply, promotion of load growth or enhanced energy reliability or security in determining if an electric utility's rate is just and reasonable.
- Section 4:** Amends AS 42.05 by adding a new subsection that provides for a net billing system which allows customers to receive export rate credits for electric energy produced and requires the RCA to set through regulation the export rate credit annually based on seasonal and time variations, and other relevant factors.
- Section 5:** Amends AS 42.05.431(b) by requiring that power purchase agreements subject to RCA approval must pass through any tax benefits to consumers.
- Section 6:** Amends AS 42.05 by adding a new section that exempts small projects, under 15,000 kilowatts, from RCA approval.
- Section 7:** Amends AS 42.05.762 by adding the requirement that the electric reliability organization (ERO) prioritize reliability and stability of the system served by the ERO while also taking into account cost to the consumer.
- Section 8:** Amends AS 42.05.770(1) requiring that an ERO tariff include nondiscriminatory for interconnection and repeals portion of the tariff to include standards for transmission system cost recovery.
- Section 9:** Amends AS 42.05.772 by adding that a load-serving entity that would otherwise be exempt from regulation under this chapter, shall adhere to the ERO's reliability standards, coordinate with the

ERO, and if applicable, coordinate with the Railbelt Transmission Organization (RTO) to integrate reliability standards into the load-serving entity's operational procedures.

- Section 10:** Amends AS 42.05.790 by adding that the definition of “Railbelt” has the same meaning given in AS 44.83.750 and “Railbelt Transmission Organization” means the transmission organization established by AS 44.83.700.
- Section 11:** Amends AS 42.06.286(a) to increase the regulatory surcharge used to fund operations of the RCA.
- Section 12:** Amends AS 43.98 to add new subsections providing for the tax exemption of electricity sold wholesale by independent power producers and new utilities in unserved areas to cooperative or municipal utilities.
- Section 13:** Amends AS 44.83.030 to create a stand-alone eight-member board of directors for the Alaska Energy Authority (AEA) that includes the commissioner of Commerce, Community & Economic Development, the commissioner of Revenue and six members of the public that meet specific qualifications.
- Section 14:** Amends AS 44.83.030 to allow the commissioners the ability to designate a deputy or director to act in the commissioner's place; sets the public member term at three years; and provides for the governor to immediately appoint a member to fill an unexpected vacancy.
- Section 15:** Amends AS 44.83.040(a) to require the authority to elect a chair and vice chair every two years, requires that five members constitute a quorum and that actions taken, and motions and resolutions adopted require an affirmative vote of five members.
- Section 16:** Amends AS 44.83.080 by adding to the powers of the AEA the ability to carry out the duties and powers assigned under AS 44.83.700-44.83.750 and added the ability to acquire energy storage systems by construction, purchase, gift or lease.
- Section 17:** Amends AS 44.83 by adding a new subsection creating the RTO.

AS 44.83.700 (a) establishes the RTO under the AEA for the purpose of developing a backbone transmission system for the Railbelt.

(b) establishes the governance structure that provides for oversight of the RTO, creating a management committee that is composed of members representing each of the utilities, the executive director of the AEA and as ex-officio, non-voting member, the Chief Executive Officer of the ERO; requires the RTO to establish a conflict resolution process, and facilitates public participation in the operations of the RTO.

(c) clarifies the RTO cannot limit, extend, or alter the rights conferred by a certificate of public convenience and necessity.

AS 44.83.710 sets out the powers and duties of the RTO including managing Railbelt backbone transmission assets, follow reliability standards established by the ERO, ensure safe, resilient, reliable, efficient, and economical operation and development of the integrated transmission system, preserve nondiscriminatory open access, maintain capacity rights of legacy transmission owners and perform integrated transmission planning. The RTO is also given the authority to purchase, lease or acquire backbone transmission assets; construct, own, and operate new

transmission assets; establish tariffs subject to the approval of the RCA and enter into contracts, agreements, and partnerships that enhance safety, reliability, and efficiency of the Railbelt integrated transmission system. The RTO may not exchange, donate, sell or convey a backbone transmission asset without the prior approval of the Legislature. Work performed on new construction and maintenance shall be prioritized to the utility and must be subject to the terms and conditions of existing collective bargaining agreements.

AS 44.83.720 creates a revenue mechanism, subject to the approval of the RCA, whereby the RTO shall hold and administer an open access transmission tariff; shall adopt a transmission cost recovery methodology that ensures the reliability and sufficient capacity of the integrated transmission to support and promote the economy. In addition, the cost recovery methodology must eliminate per-unit wholesale transmission charges and pool backbone transmission costs and allocate those costs to end users.

AS 44.83.730 requires the RTO to engage in integrated transmission planning at least every ten years. The plan must use a whole-system approach which articulates the strategic trajectory, capital funding requirements and outlook for the Railbelt transmission system and shall take into consideration technological advancements, load growth, fuel supply among others.

AS 44.83.740 requires the RTO to identify existing backbone transmission assets and that the Railbelt utilities will transfer management of those assets to the RTO by July 1, 2026.

AS 44.83.750 defines “backbone transmission system” as the assets of the interconnect electric energy transmission network that serves the Railbelt; defines “commission” as the RCA; defines “interconnected electric energy transmission network” as the same definition as that used for the ERO in 42.05.790; defines “Railbelt” as the area of Alaska that ranges from the Kenai Peninsula to Interior Alaska, connected by a common electric transmission backbone; defines “railbelt utility” to mean a public utility certificated to operate in the Railbelt; and defines transmission organization to the RTO established in this bill.

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| <b>Section 18</b> | Sets the directive for AEA and the RCA to adopt the necessary regulations to implement the changes.  |
| <b>Section 19</b> | Requires AEA to immediately begin an initial transmission plan and capital improvement program.  |
| <b>Section 20</b> | Allows members serving as commissioners to the RCA to continue to serve until their individual term has expired and a successor appointed and qualified.   |
| <b>Section 21</b> | Creates a transition for the initial appointment of two public members of the AEABoard to a one-year term, two additional public members to a two-year term, and the remaining two members to a three-year term. |
| <b>Section 22</b> | Sections 18 and 19 take effect immediately.  |
| <b>Section 23</b> | All other sections take effect July 1, 2024.   |