HOUSE BILL NO. 153

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE HOLLAND

Introduced: 3/24/25
Referred: House Special Committee on Energy, Resources, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to generation of electricity from renewable energy resources; relating to a renewable portfolio standard; relating to power cost equalization; and providing for an effective date."

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

*** Section 1.** AS 42.05.780(a) is amended to read:

(a) An electric reliability organization shall file with the commission in a petition for approval an integrated resource plan for meeting the reliability requirements of all customers within its interconnected electric energy transmission network in a manner that provides the greatest value, consistent with the load-serving entities' obligations. An integrated resource plan must contain an evaluation of the full range of cost-effective means for load-serving entities to meet the service requirements of all customers, including additional generation, transmission, battery storage, and conservation or similar improvements in efficiency. An integrated resource plan must include options to meet customers' collective needs in a manner

that provides the greatest value, consistent with the public interest, regardless of the location or ownership of new facilities or conservation activities. **An integrated resource plan must include options for satisfying the renewable portfolio standard under AS 42.05.900.**

*** Sec. 2.** AS 42.05.785(a) is amended to read:

(a) A public utility, including a public utility that is exempt from other regulation under AS 42.05.711 or another provision of this chapter, that is interconnected with an interconnected electric energy transmission network served by an electric reliability organization certificated by the commission may not construct a large energy facility unless the commission determines that the facility

(1) is necessary to the interconnected electric energy transmission network with which it would be interconnected;

(2) complies with reliability standards; [AND]

(3) would, in a cost-effective manner, meet the needs of a load-serving entity that is substantially served by the facility**; and**

(4) is not detrimental to a load-serving entity's ability to meet the renewable portfolio standard under AS 42.05.900.

*** Sec. 3.** AS 42.05.785(c) is amended to read:

(c) The commission may not require preapproval for a

(1) project for refurbishment or capitalized maintenance;

(2) hydropower project licensed by the Federal Energy Regulatory Commission before September 30, 2016**;**

(3) project that generates electricity from a renewable energy resource and helps a load-serving entity meet the renewable portfolio standard under AS 42.05.900.

*** Sec. 4.** AS 42.05.785(e) is amended to read:

(e) In this section,

(1) "large energy facility" means

(A) [(1)] an electric power generating plant or combination of plants at a single site with a combined capacity of 15,000 kilowatts or more with transmission lines that directly interconnect the plant with the

transmission system;

(B) [(2)] a high-voltage, above-ground transmission line that

(i) [(A)] has a capacity of 69 kilovolts or more; and

(ii) [(B)] is longer than 10 miles;

(C) [(3)] a high-voltage submarine or underground cable that

(i) [(A)] has a capacity of 69 kilovolts or more; and

(ii) [(B)] is longer than three miles;

(D) [(4)] an energy storage device or combination of devices at a single site with a combined capacity of 15,000 kilowatts and one hour or more of energy storage that directly connects with the interconnected bulk-electric system; and

(E) [(5)] a reactive compensation device or combination of devices at a single site with a combined reactive capability of 15,000 kilovars or more with a step-up device to regulate interconnected bulk-electric system voltage**;**

(2) "renewable energy resource" has the meaning given in AS 42.05.925.

*** Sec. 5.** AS 42.05 is amended by adding new sections to read:

Article 11A. Renewable Portfolio Standard.

Sec. 42.05.900. Renewable portfolio standard. The portfolio of a load-serving entity that is subject to the standards of an electric reliability organization under AS 42.05.760 must include megawatt hours of electricity generated from renewable energy resources, adjusted according to AS 42.05.905, in the following percentages:

(1) 40 percent by December 31, 2030;

(2) 55 percent by December 31, 2035.

Sec. 42.05.905. Compliance incentives. (a) To calculate a load-serving entity's compliance with the renewable portfolio standard, the megawatt hours of electricity from a project that generates electricity from wind energy are multiplied by a factor of 1.25 if

(1) the project is operational before January 1, 2033;

(2) the project has a nameplate generation capacity of at least 100 megawatts; and

(3) more than one load-serving entity acquires electricity production from the project and each entity acquires at least the entity's load ratio share or 20 percent of the project's energy output, whichever is less; in this paragraph, "load ratio share" means a percentage calculated by dividing a load-serving entity's total retail electricity sales by the sum of retail electricity sales from all load-serving entities that acquire electricity from the project.

(b) A load-serving entity may satisfy the renewable portfolio standard through energy produced by distributed energy systems, adjusted according to (d) of this section and then multiplied by a factor of 2.0, regardless of whether the energy is acquired by the load-serving entity or used by the customer. Each load-serving entity shall file a tariff with the commission that establishes and justifies the average capacity factor for each distributed energy system technology connected to the interconnected electric energy transmission network within the entity's service area.

(c) A load-serving entity may satisfy the renewable portfolio standard through renewable electricity credits that qualify as part of the load-serving entity's portfolio under AS 42.05.910.

(d) A load-serving entity may satisfy the renewable portfolio standard with electricity consumption displaced because of energy efficiency investments made in whole or in part with payments under AS 42.05.915(g), if the displaced consumption is documented under a program established by the state.

Sec. 42.05.910. Renewable electricity credits. (a) To qualify as part of a load-serving entity's portfolio, a renewable electricity credit must be from generation connected to the same interconnected electric energy transmission network that serves the load-serving entity's customers or must be purchased from generation located within the service area of an electric utility that serves customers who receive power cost equalization under AS 42.45.100 - 42.45.150.

(b) A renewable electricity credit may be used only once. A renewable electricity credit expires one year after it was created.

(c) A load-serving entity shall track the life cycle of a renewable electricity

credit created, transferred, or used by the load-serving entity. Each load-serving entity is responsible for demonstrating that a renewable electricity credit used to comply with the renewable portfolio standard is derived from a renewable energy resource and that the renewable electricity credit has not been previously used or transferred.

(d) A renewable electricity credit may be traded, sold, or otherwise transferred for value. A load-serving entity that transfers a renewable electricity credit may not use the renewable electricity associated with the transferred credit to comply with the renewable portfolio standard.

Sec. 42.05.915. Noncompliance fine; waiver. (a) A load-serving entity that fails to meet the renewable portfolio standard is subject to a noncompliance fine for each year that the entity fails to meet the renewable portfolio standard. After notice and an opportunity for hearing, the commission may impose a fine of $45 for every megawatt hour that the entity is below the renewable portfolio standard. The commission shall increase the dollar amount of the noncompliance fine under this subsection annually by a percentage equal to the average percentage increase over the prior calendar year in all items of the Consumer Price Index for all urban consumers for urban Alaska prepared by the United States Department of Labor, Bureau of Labor Statistics. A load-serving entity shall itemize the effect of a noncompliance fine on the entity's monthly customer bills.

(b) The commission shall waive all or part of a load-serving entity's noncompliance fine to the extent that the load-serving entity

(1) has entered into a power purchase agreement for renewable electricity before the next compliance period;

(2) begins receiving renewable electricity under the power purchase agreement not later than two years after the prior compliance period; and

(3) files with the commission an annual estimate of the megawatt hours the load-serving entity expects to receive from the power purchase agreement that contribute to compliance with the renewable portfolio standard; if the megawatt hours of renewable electricity received by the load-serving entity within two years after the prior compliance period falls below the amount estimated under this paragraph, the load-serving entity is subject to a retroactive noncompliance fine.

(c) If electricity transmission constraints prevent delivery of renewable electricity that a load-serving entity is obligated to purchase from a third party, the megawatt hours of undelivered renewable electricity, adjusted according to AS 42.05.905, count toward the load-serving entity's compliance with the renewable portfolio standard.

(d) The commission may waive the noncompliance fine in whole or in part if the commission determines that a load-serving entity is unable to meet the renewable portfolio standard because of reasons outside the reasonable control of the load-serving entity as set out in (e) of this section, or the entity establishes good cause for noncompliance as set out in (f) of this section.

(e) The following events or circumstances are outside of a load-serving entity's reasonable control:

(1) weather-related damage to generation or transmission assets;

(2) natural disasters;

(3) failure of renewable electricity producers to meet contractual obligations to the load-serving entity;

(4) lower than reasonably expected electricity production at a project that generates electricity from a renewable energy resource if the lower electricity production is caused by variation in renewable energy resource availability;

(5) global pandemics; and

(6) acts of war.

(f) The following factors may establish good cause for noncompliance:

(1) the extent of good faith efforts by the load-serving entity to comply, including the actions taken by the load-serving entity to procure the renewable electricity and the lack of past failures to comply;

(2) the likelihood and amount of future renewable electricity to be acquired by the load-serving entity.

(g) A load-serving entity may, within one year after the commission imposes a noncompliance fine, satisfy the fine by paying a customer all or a portion of the customer's costs of installing a distributed energy system or electricity efficiency technologies.

(h) If a load-serving entity's portfolio includes at least 40 percent of electricity generated from renewable energy resources, adjusted according to AS 42.05.905, the load-serving entity may, instead of paying a noncompliance fine associated with the load-serving entity's failure to comply with the renewable portfolio standard by December 31, 2035, deposit an amount equal to the fine into an account, approved by the commission, for use by the load-serving entity to defray the costs of future renewable electricity projects or purchases.

Sec. 42.05.920. Exemptions. A load-serving entity is exempt from compliance with the renewable portfolio standard if the aggregate percentage of electricity generated from renewable energy resources by all load-serving entities on the interconnected electric energy transmission network, adjusted according to AS 42.05.905, meets or exceeds the aggregate renewable portfolio standard for those entities.

Sec. 42.05.925. Definitions. In AS 42.05.900 - 42.05.925,

(1) "compliance period" means each period identified in AS 42.05.900;

(2) "distributed energy system" means a renewable energy resource that is located on any property owned or leased by a customer within the service territory of the load-serving entity that is interconnected on the customer's side of the utility meter;

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

(4) "load-serving entity" has the meaning given in AS 42.05.790;

(5) "megawatt hour" means 1,000,000 watts of electricity being used in one hour and includes the steam equivalent of a megawatt hour;

(6) "renewable electricity" means electricity or energy generated from renewable energy resources;

(7) "renewable electricity credit" means one credit equal to the generation attributes of one megawatt hour that is derived from a renewable energy resource; where fossil and renewable fuels are co-fired in the same generating unit, the unit is considered to generate renewable electricity in direct proportion to the percentage of the total heat input value represented by the heat input value of the

renewable fuels;

(8) "renewable energy resource" means a resource, other than petroleum, nuclear, natural gas, or coal, that naturally replenishes over a human, not a geological, time frame, is ultimately derived from solar power, water power, or wind power, comes from the sun or from thermal inertia of the earth, and minimizes the output of toxic material in the conversion of the energy; in this paragraph, "resource" includes

(A) solar and solar thermal energy, wind energy, and kinetic energy of moving water, including

(i) waves, tides, or currents;

(ii) run-of-river hydropower, in-river hydrokinetic;

(iii) conventional hydropower, lake tap hydropower;

(iv) water released through a dam; and

(v) geothermal energy;

(B) waste to energy systems, including

(i) wood;

(ii) landfill gas produced by municipal solid waste or fuel that has been manufactured in whole or significant part from waste;

(iii) biofuels produced in the state; and

(iv) thermal energy produced from a geothermal heat pump using municipal solid waste, including biogenic and anthropogenic factions.

(9) "renewable portfolio standard" means the percentage of electricity in a load-serving entity's portfolio that must be generated from renewable energy resources under AS 42.05.900, adjusted according to AS 42.05.905.

*** Sec. 6.** AS 42.45.110(a) is amended to read:

(a) The costs used to calculate the amount of power cost equalization for all electric utilities eligible under AS 42.45.100 - 42.45.150 include all allowable costs, except return on equity, used by the commission to determine the revenue requirement for electric utilities subject to rate regulation under AS 42.05. The costs used in

determining the power cost equalization per kilowatt-hour shall exclude any other type of assistance that reduces the customer's costs of power on a kilowatt-hour basis and that is provided to the electric utility within 60 days before the commission determines the power cost equalization per kilowatt-hour of the electric utility. In calculating power cost equalization, the commission may not consider validated costs or kilowatt-hour sales associated with a United States Department of Defense facility**, revenue from the sale of recovered heat, or revenue from the sale of renewable electricity credits acquired under AS 42.05.910**.

*** Sec. 7.** AS 42.05.785(c)(3) is repealed December 31, 2030.

*** Sec. 8.** This Act takes effect July 1, 2025.