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REPRESENTATIVE

# DONNA MEARS

## House Bill 259

### Large Energy Use Facilities — Version N

#### Sectional Analysis

##### **Sec. 1. – Amends AS 42.05.381 by adding a new subsection (r)**

This states that utilities may not pass along generation, transmission, or distribution costs that exist only because they are serving a large energy use facility to other customers. Those costs must be recovered solely from the large energy use facility, and during rate cases, the utility must assign those specific costs directly to that facility—not to the general customer base. The definitions used in this subsection are outlined in AS 42.05.435.

##### **Sec. 2. – Adds a new section 42.05.435. Contracts for large energy use facilities**

- a. This section creates parameters for contracts for large energy use facilities that enter into a contract with an electric or gas utility.
- b. These contracts must:
  1. Set a minimum contract length of twelve years, plus an optional ramp up period.
  2. Include purchase quantities.
  3. Include buy-out language requiring meeting 80% of the remaining contract commitments, commonly known as known as take or pay.
  4. Requires a minimum exit fee covering costs incurred by the utility or the contract minimum, whichever is greater, if the customer exits the contract prior to concluding the periods set in the contract.
- c. The contracts may be modified with approval from the RCA if the modification does not increase rate costs for other customers.
- d. The contracts may not risk fuel supply for any utility in state. Further, plans for any additional fuel supply must be in place if current systems are not anticipated to provide sufficient supply.
- e. The contract must cover the costs of new infrastructure required for the large energy facility.
- f. New transmission infrastructure built for the new facility will not initially be considered part of a backbone transmission system.
- g. A contract must include new variable costs and attribute them to the new user.

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- h. Details ways that rates may be set, requiring that costs caused by a large energy use facility must be paid by the large energy use facility. It also allows rate reduction options for verifiable system benefits.
- i. Directs utilities to identify costs for reporting.
- j. Allows the RCA to determine that multi-building units can qualify as large energy use facilities.
- k. Requires a community benefit agreement for a large energy user contract.
- l. Clarifies that this does not apply to utilities furnishing gas or electricity to other utilities.
- m. Adds definitions:
  - 1. Contract refers to contracts between gas or electric utilities and a large energy use facility.
  - 2. Defines electric utility as a public utility that provides electric service.
  - 3. Defines "facility" to mean all buildings, equipment, structures, and other fixed infrastructure owned or operated by the same entity if the commission decides they should be treated as a single facility.
  - 4. Defines gas utility as a public utility that transmits or distributes natural gas or manufactured.
  - 5. Defines "large energy use facility" as a facility that consumes either 20 megawatts or more of peak electricity demand, at least 20% of an electric utility's annual electricity sales, 2 billion standard cubic feet of natural gas per year, or 20% of a gas utility's annual sales, whichever amount is smaller.
  - 6. Defines municipality with AS 29.71.800.

### **Sec. 3. – Amends the uncodified law with a new section**

States that this bill applies when a gas or electric utility enters into a new contract with a large energy use facility once this bill takes effect.

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