

HOUSE BILL NO. 259

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE MEARS

Introduced: 1/20/26

Referred: House Special Committee on Energy, Community and Regional Affairs

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to large energy use facilities; relating to electric and gas utilities;**
2 **relating to community benefit agreements with municipalities; and relating to the duties**
3 **of the Regulatory Commission of Alaska."**

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

5 * **Section 1.** AS 42.05.381 is amended by adding a new subsection to read:

6 (r) Costs incurred by an electric utility or gas utility that would not have been
7 incurred but for the utility furnishing service to a large energy use facility may not be
8 included in any rates or charges of the utility unless the rates or charges are designed
9 to recover those costs solely from the large energy use facility. During a rate
10 proceeding, the portion of the utility's revenue requirement associated with the costs to
11 serve the large energy use facility shall be assigned to the facility. In this subsection,
12 "electric utility," "gas utility," and "large energy use facility" have the meanings given
13 in AS 42.05.435.

14 * **Sec. 2.** AS 42.05 is amended by adding a new section to read:

Sec. 42.05.435. Contracts for large energy use facilities. (a) An electric utility or gas utility that furnishes service to a customer with a large energy use facility shall enter into a contract with the customer for the service. The utility shall submit the proposed contract to the commission. The commission shall review the contract terms and approve the contract if the commission determines that the contract meets the requirements of this section. Notwithstanding AS 42.05.371, the terms of an approved contract govern the terms and conditions under which the utility offers its services and facilities to the large energy use facility.

(b) A contract must

(1) specify the duration of the contract and be for a duration of at least 12 years, with an optional initial ramp-up period of up to five additional years when the large energy use facility may purchase less electricity or gas than the full contracted amount for the remainder of the contract period;

(2) state the expected purchase amounts during the contract period and the ramp-up period, if any;

(3) after any ramp-up period, require the large energy use facility to pay at least 80 percent of the contracted amount each year, regardless of actual purchases; and

(4) require the large energy use facility to pay a fee to the utility if the facility exits the contract before the end of the contract term in the amount of the total minimum payments for the remainder of the contract term or the amount necessary to cover all costs to the utility, whichever is greater, and provide for collateral equal to the potential exit fee.

(c) A large energy use facility and a utility may agree to modify the contracted purchase amount if the commission determines that the modification will not increase costs to other customers. The utility shall submit the proposed modification to the commission. A modification may not take effect until the modification is approved by the commission and at least 12 months have elapsed since the modification was submitted to the commission.

(d) A contract may not increase the risk of inadequate fuel supplies for any public utility in the state, including utilities not party to the contract.

(e) The terms of a contract must include an accounting of all costs for infrastructure primarily used by an electric utility or gas utility to furnish service to a large energy use facility and directly assign those costs to the facility for the duration of the contract. If an infrastructure component is primarily used to furnish service to both the large energy use facility and other customers, the contract must specify the portion of infrastructure costs to serve the large energy use facility and assign that portion to the facility. If, during the contract period, an infrastructure component is no longer primarily used to furnish service to the large energy use facility, the utility may submit a proposed contract modification to the commission that includes evidence to support the modification. Infrastructure costs may be recovered from the large energy use facility by the facility constructing its own infrastructure, contributions in aid of construction, or utility rates.

(f) Transmission infrastructure built specifically to serve a large energy use facility may not initially be considered part of a backbone transmission system for the purpose of allocating backbone transmission system costs under a nondiscriminatory open access transmission tariff. If a review at the end of the contract term finds that the transmission infrastructure is also used for other customers, the infrastructure may be evaluated for consideration as part of a backbone transmission system. In this subsection, "backbone transmission system" has the meaning given in AS 44.83.720.

(g) A contract must include a detailed analysis of all variable costs that will change when an electric utility or gas utility furnishes service to a large energy use facility and assign those costs directly to the large energy use facility using a separate customer-specific cost of power adjustment or gas cost adjustment methodology. A contract must ensure that furnishing service to a large energy use facility does not increase the cost of power adjustment or gas cost adjustment for other customers. Variable costs include

- (1) new fuel contracts;
- (2) changes in purchased power amounts or prices;
- (3) changes in dispatch order that modify system heat rates;
- (4) changes in losses;
- (5) changes in fuel storage requirements, including amounts and

1 deliverability;

2 (6) increased use of less efficient generating units to meet increased
3 load;

4 (7) use of more expensive fuels to meet increased load;

5 (8) changes to meet increased reliability requirements for a larger load;
6 and

7 (9) changes in variable operations and maintenance.

8 (h) Rates in a contract may be based on a utility's existing rate schedule or
9 negotiated for a specific customer, as long as the rates satisfy the requirements in this
10 section, fully compensate the utility for all costs to serve the large energy use facility,
11 including generation, transmission, distribution, and ancillary service costs, and do not
12 cause the utility to shift costs to other customers. The contract may include rate
13 reductions or credits reflecting verifiable system benefits provided by the large energy
14 use facility, including peak shaving, demand response, curtailment, and load
15 flexibility, as long as the reductions or credits are not greater than the measurable
16 benefits provided to other customers and the costs attributable to the large energy use
17 facility are assigned before applying any benefit-related reductions or credits. During
18 any rate proceeding, the portion of the utility's revenue requirement associated with
19 the costs to serve the large energy use facility must be assigned to the facility.

20 (i) An electric utility or natural gas utility shall uniquely identify the costs and
21 revenue for each large energy use facility served by the utility within the utility's
22 books and records to support periodic reporting as ordered by the commission.

23 (j) If geographically dispersed buildings, equipment, structures, and other
24 stationary infrastructure are used for the same purpose and owned or operated by the
25 same person or by any person who controls, is controlled by, or is under common
26 control with the person, the commission may determine that the infrastructure is a
27 single facility for the purposes of this section.

28 (k) A municipality shall enter into a community benefit agreement with a large
29 energy use facility within the municipality before the commission approves the
30 contract between an electric utility or gas utility and the large energy use facility. The
31 municipality may address any community benefits related to the large energy use

1 facility in the agreement based on the municipality's unique needs, including
2 emergency response, local hire, use of waste heat, decommissioning, and any other
3 concerns and priorities of the municipality. If the large energy use facility has not
4 entered into a community benefit agreement with the municipality before construction
5 of the large energy use facility begins, a municipality may obtain

6 (1) an injunction to stop construction of the large energy facility or to
7 prevent the large energy facility from operating; and

8 (2) any other appropriate relief.

9 (l) This section does not apply to an electric utility or gas utility when the
10 utility is furnishing service to another public utility.

11 (m) In this section,

12 (1) "contract" means a contract between an electric utility or gas utility
13 and a customer with a large energy use facility for the utility to furnish service to the
14 large energy use facility;

15 (2) "electric utility" means a public utility that furnishes electrical
16 service;

17 (3) "facility" means all buildings, equipment, structures, and other
18 stationary infrastructure that are owned or operated by the same person or by any
19 person who controls, is controlled by, or is under common control with the person and
20 that are

21 (A) located on a single site or on contiguous or adjacent sites,
22 including sites with multiple metering points; or

23 (B) geographically dispersed, if the commission determines the
24 sites should be considered a single facility under (j) of this section;

25 (4) "gas utility" means a public utility that furnishes natural or
26 manufactured gas by transmission or distribution;

27 (5) "large energy use facility" means a facility that will consume

28 (A) 20 megawatts or more of peak power demand from an
29 electric utility or 20 percent of the total kilowatt-hours of electricity sold by the
30 utility in the previous year; or

31 (B) 2,000,000,000 or more standard cubic feet of gas annually

1 from a gas utility or 20 percent of the total gas sold by the utility in the
2 previous year, whichever is smaller;

3 (6) "municipality" has the meaning given in AS 29.71.800.

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

6 APPLICABILITY. (a) This Act applies to an electric utility or gas utility when the
7 utility furnishes service to a customer with

8 (1) a large energy use facility that obtains service from an electric utility or
9 gas utility for the first time on or after the effective date of this Act; or

10 (2) a facility that becomes a large energy use facility on or after the effective
11 date of this Act.

12 (b) In this section, "electric utility," "facility," "gas utility," and "large energy use
13 facility" have the meanings given in AS 42.05.435, enacted by sec. 2 of this Act.