THE STATE OF ALASKA
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HB 301 Sectional Analysis (Version A)

Section 1. This section amends the uncodified law to include the purpose of this legislation. That purpose is to establish a renewable portfolio standard (RPS) and increase the amount of renewable energy sold by certain regulated electric utilities. The purpose of this act does not include implementing the Public Utility Regulatory Policies Act of 1978 (PURPA).

Section 2. This section amends AS 42.05.770 to require load-serving entities (LSEs) to sell energy transmission services to an independent power producer (IPP) or any other generator of renewable energy at the LSE's cost. This is done by directing the Regulatory Commission of Alaska (RCA) to adopt regulations requiring an electric reliability organization's tariff to include a standard for transmission services that includes this prohibition on selling transmission services for more than they cost.

Section 3. This section amends AS 42.05.780(a) by adding a requirement that an electric reliability organization's integrated resource plan (IRP) must include and evaluate options that would allow each LSE to meet the RPS targets.

Section 4. Under existing law, proposed "large energy facilities" that are 15 megawatts or larger are required to be included in an IRP that is submitted to the RCA for approval. This section adds a requirement that any approved large energy facility not be detrimental to the RPS targets.

Section 5. This section amends AS 42.05 to add six new statutory provisions described below.

> **Sec. 42.05.900. Renewable portfolio standard.** Subsection (a) sets the percentages and dates by which certain levels of net electricity sales of renewable energy resources must be achieved. It also limits application of the RPS to LSEs that are subject to an ERO. This effectively limits the RPS to the Railbelt at the present time.
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> Subsection (b) allows an LSE to sign a power purchase agreement (PPA) with a renewable electricity producer and have the purchased power count toward the LSE's RPS targets even if the electrons are not delivered for up to two years past the RPS target date. Functionally, this allows an LSE to extend each RPS target by up to two-years by agreeing to purchase enough renewable power to meet the target in the future.
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> This subsection also requires that any PPA signed for this purpose must be filed on or before the RPS target date and must be approved by the RCA. However, the time it

takes the RCA to approve of the PPA is not counted against compliance. Should the electrons not be delivered as promised, AS 42.05.915(b)(4) allows the RCA to reduce or waive the noncompliance fine associated with the power producer's failure to perform.

Subsection (c) limits the available renewable energy resources to those located within the LSE's service area or connected to the same electric grid.

Subsection (d) allows an LSE to satisfy the RPS through net electricity sales derived from distributive energy systems as defined in proposed Section 42.05.925(3). One example of distributive energy is rooftop solar.

Subsection (e) requires an LSE to gather their historical compliance data in a manner consistent with industry standards and RCA regulation.

Subsection (f) requires that the LSE be able to collect data and account for how it is meeting the targets. While the language allows an LSE to design their own accounting system should they desire, purpose-built accounting systems are also available.

Sec. 42.05.905. Reporting. This new statute requires participating LSEs to submit annual compliance reports to the RCA beginning on March 1, 2025, which is 10 months prior to the first RPS target date. The contents of the report will document compliance progress, net electricity sales from renewable energy sources, and other information as required by the RCA. The RCA must seek to minimize administrative costs on the LSE.

The RCA may choose to investigate an LSE's reporting data if additional verification is deemed necessary.

Sec. 42.05.910. Renewable energy credits. This new statute allows LSEs to trade or sell bundled renewable energy credits (RECs) within the interconnected grid. This provision allows an LSE to purchase RECs from another entity that is connected to the same transmission network. An LSE with excess RECs beyond what is needed to satisfy the RPS target can sell those RECs to another LSE on the same grid. For example, one Railbelt electric utility could sell excess RECs to another Railbelt electric utility.

Subsection (b) dictates that RECs can only be used once to satisfy the RPS target.

Subsection (c) avoids the creation of a credit market by giving LSEs the authority to track their own RECs.

Subsection (d) expressly allows the sale and trading of RECs.

Subsection (e) requires that revenue earned from REC sales or trades be credited to an LSE's cost of power adjustment for the benefit of their customers.

Sec. 42.05.915. Noncompliance fine; waiver. This statute authorizes the RCA to assess an alternative compliance payment on an LSE that fails to meet the RPS targets only if the LSE does not have good cause for noncompliance or a reason for noncompliance that is outside of the LSE's control.

Subsection (b) provides a non-exhaustive list of circumstances that the RCA should consider outside of an LSE's control when considering a compliance waiver.

Subsection (c) provides a non-exhaustive list of factors that may be used to establish good cause for noncompliance.

Subsection (d) allows the RCA to require additional reporting to demonstrate that an LSE is taking all reasonable actions towards compliance in situations where the commission provides a partial or full compliance waiver.

Subsection (e) prevents an LSE from passing on a fine to customers unless the RCA determines that the fine will cost customers less than compliance with the RPS target or if they determine there are insufficient renewable energy resources available to meet the target.

Sec. 42.05.920. Exemptions. This new statute sets forth two automatic exemptions. The first exemption allows an LSE to miss one RPS target without any consequences. The second requires the RCA to aggregate all LSE compliance data from the same power grid and determine if the RPS target was achieved in aggregate. If it was, then all individual LSEs on that grid are considered to have complied.

In practice, this means the Railbelt utilities may meet an RPS target as a single entity. Should they fail as a single entity, then the aggregate exemption is not granted and each utility proceeds through the compliance individually.

These exemptions cannot be used to meet the final target date in 2040.

Sec. 42.05.925. Definitions. This new statute sets forth definitions of terms used in the new statutes. Of note is the definition of a "renewable energy resource" which includes solar, wind, geothermal, landfill gas, biofuels (including biomass), and all forms of kinetic-driven hydropower.

Section 6. This section amends the uncodified law of Alaska to add a requirement that the RCA adopt regulations to implement the RPS within two years of the effective date of this Act. The standard time for the RCA to open a docket, receive and consider public input, and adopt new regulations is two years.

Section 7. This section states that the Act takes effect July 1, 2022.