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Klein
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CS FOR HOUSE BILL NO. 301(ENE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the establishment of a clean energy standard for regulated electric**
2 **utilities; relating to the Alaska Energy Authority and clean energy projects; and**
3 **providing for an effective date."**

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

5 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **PURPOSE.** The purpose of this Act is to establish a clean energy standard that
8 requires certain regulated electric utilities to derive increasing percentages of the utility's net
9 electricity sales from renewable energy resources in order to minimize costs to consumers,
10 increase stability for economic development, maximize grid resiliency, and minimize the
11 state's carbon emissions. Nothing in this Act is intended to constitute implementation by the
12 Regulatory Commission of Alaska of the federal Public Utility Regulatory Policies Act of
13 1978 (16 U.S.C. 2705).

14 *** Sec. 2.** AS 42.05.770 is amended to read:

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Sec. 42.05.770. Regulations. The commission shall adopt regulations governing electric reliability organizations, reliability standards, and modifications to reliability standards consistent with this section. Regulations under AS 42.05.760 - 42.05.790 must

(1) require that an electric reliability organization's tariff include

(A) standards for nondiscriminatory open access transmission and interconnection;

(B) cost-based standards for the purchase and sale of ancillary services that are priced and administered in a nondiscriminatory manner and consistent with open access principles; and

(C) standards for transmission system cost recovery;

(2) provide a process to identify and resolve conflicts between a reliability standard and a function, rule, tariff, rate schedule, or agreement that has been accepted, approved, adopted, or ordered by the commission;

(3) allow an electric reliability organization to recover its costs through surcharges added to the rate for each participating load-serving entity.

* Sec. 3. 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 to meet the clean energy standard under AS 42.05.900 and an evaluation of each option.

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

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

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

8 (2) complies with reliability standards; [AND]

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

11 (4) is not detrimental to a load-serving entity's ability to meet the
12 clean energy standard under AS 42.05.900.

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

14 **Article 11A. Clean Energy Standard.**

15 **Sec. 42.05.900. Clean energy standard.** (a) A load-serving entity that is
16 subject to the standards of an electric reliability organization under AS 42.05.760 shall
17 comply with the clean energy standard established in this section. Under the clean
18 energy standard, a load serving entity's net electricity sales shall include sales from
19 renewable energy resources in the following percentages:

20 (1) 25 percent by December 31, 2030;

21 (2) 55 percent by December 31, 2040;

22 (3) 80 percent by December 31, 2050.

23 (b) A purchase power agreement entered into between a load-serving entity
24 and a renewable electrical energy producer will satisfy all or part of the percentages
25 required under (a) of this section for a compliance period if

26 (1) the effective date of the purchase power agreement is on or before
27 the end of the compliance period;

28 (2) the purchase power agreement guarantees that the renewable
29 electrical energy producer will deliver the renewable electrical energy to the load-
30 serving entity not later than two years after the end of the compliance period; and

31 (3) the purchase power agreement is approved by the commission in

1 accordance with AS 42.05.381 and 42.05.431(a) and (b); the time period required for
 2 the commission to consider the purchase power agreement may not be a factor in
 3 determining whether a load-serving entity has complied with (a) of this section, but if
 4 the purchase power agreement is not approved by the commission, the load-serving
 5 entity may be subject to a noncompliance fine under AS 42.05.915.

6 (c) Construction of renewable electrical energy generation capacity that began
 7 before the end of a compliance period will satisfy all or part of the percentages
 8 required under (a) of this section for the compliance period if the capacity will begin
 9 providing the renewable electrical energy to the load-serving entity not later than

10 (1) two years after the end of the compliance period; or

11 (2) the end of a period determined by the commission.

12 (e) A load-serving entity may satisfy the clean energy standard through
 13 electricity derived from the entity's renewable electrical energy from distributive
 14 energy systems.

15 (f) A load-serving entity's compliance with the clean energy standard shall be
 16 based on historical data, collected in a manner consistent with industry standards and
 17 commission regulations.

18 (g) A load-serving entity shall design and implement an accounting system to
 19 verify compliance with the clean energy standard to ensure that renewable electrical
 20 energy is counted only once for the purpose of meeting the clean energy standard.

21 (h) A load-serving entity may satisfy the clean energy standard through clean
 22 energy credits obtained under AS 42.05.910.

23 (i) A project located wholly or partially in the state that is constructed to meet
 24 the clean energy standard is exempt from all state lease fees for a period of 10 years
 25 starting when construction begins.

26 **Sec. 42.05.905. Reporting.** (a) Beginning March 1, 2025, a load-serving entity
 27 subject to the clean energy standard shall submit an annual report to the commission
 28 that documents the load-serving entity's progress toward satisfying the clean energy
 29 standard under AS 42.05.900 in the preceding calendar year. The annual report must
 30 demonstrate the entity's compliance with the clean energy standard, document the
 31 entity's net electricity sales from renewable energy resources for the applicable

1 calendar year, and include any other information required by the commission.

2 (b) The commission shall adopt regulations governing the reporting
3 requirements under (a) of this section to document compliance and minimize the
4 administrative costs and burden on a load-serving entity.

5 (c) The commission may investigate a load-serving entity's compliance with
6 the clean energy standard and (a) of this section and collect any information necessary
7 to verify and audit the information provided to the commission by the load-serving
8 entity.

9 **Sec. 42.05.910. Clean energy credits.** (a) A load-serving entity may trade,
10 sell, or otherwise transfer clean energy credits.

11 (b) A clean energy credit may be used only once. A load-serving entity may
12 use a clean energy credit to comply with the clean energy standard under
13 AS 42.05.900 without purchasing or using the electrical generation from which the
14 credit is derived.

15 (c) Each load-serving entity is responsible for tracking and demonstrating that
16 a clean energy credit used to comply with the clean energy standard under
17 AS 42.05.900 is derived from a renewable energy resource in the state and that a load-
18 serving entity has not previously used the clean energy credit.

19 (d) Revenue received by a load-serving entity for the trade, sale, or transfer of
20 a clean energy credit shall be credited to the load-serving entity's cost of power
21 adjustment to the benefit of the load-serving entity's customers.

22 **Sec. 42.05.915. Noncompliance fine; waiver.** (a) If the commission
23 determines that a load-serving entity failed to meet the clean energy standard under
24 AS 42.05.900, after notice and an opportunity for hearing, the entity is subject to a fine
25 of \$20 for every megawatt hour that the entity is below the clean energy standard. The
26 commission may waive the noncompliance fine in whole or in part upon determination
27 that a load-serving entity is unable to meet the clean energy standard because of
28 reasons outside the reasonable control of the load-serving entity as set out in (b) of this
29 section or the entity establishes a good cause for noncompliance as set out in (c) of
30 this section.

31 (b) Events or circumstances that are outside of a load-serving entity's

1 reasonable control may include

- 2 (1) weather-related damage;
- 3 (2) natural disasters;
- 4 (3) mechanical or resource failure;
- 5 (4) failure of renewable electrical energy producers to meet contractual
- 6 obligations to the load-serving entity;
- 7 (5) labor strikes or lockouts;
- 8 (6) transmission network constraint that prevented the load-serving
- 9 entity from partially or fully using renewable electrical energy for net electricity sales;
- 10 and
- 11 (7) other similar events and circumstances.

12 (c) Factors for establishing good cause for noncompliance may include

- 13 (1) the actions taken by the load-serving entity to procure the
- 14 renewable electrical energy;
- 15 (2) the extent of good faith efforts by the load-serving entity to
- 16 comply;
- 17 (3) the lack of past failures to comply;
- 18 (4) the likelihood and amount of future renewable electrical energy to
- 19 be procured by the load-serving entity;
- 20 (5) the impact of the noncompliance fine on the load-serving entity
- 21 considering the size or ownership of the load-serving entity;
- 22 (6) other similar information.

23 (d) If the commission waives all or part of a noncompliance fine, the

24 commission shall require additional reporting from the load-serving entity to

25 demonstrate the entity is taking all reasonable actions under the entity's control to

26 satisfy the clean energy standard.

27 (e) A fine paid by a load-serving entity under this section may not be included

28 or recovered in rates paid by the load-serving entity's customers unless the

29 commission determines that

- 30 (1) payment of the fine would be at less cost to the customers than the
- 31 purchase of a renewable energy resource to comply with the clean energy standard; or

1 (2) there are insufficient renewable energy resources available for the
2 load-serving entity to comply with the clean energy standard.

3 **Sec. 42.05.920. Exemptions.** Load-serving entities are exempt from
4 compliance with the clean energy standard under AS 42.05.900 if the aggregate net
5 electricity sales for all load-serving entities on the interconnected electric energy
6 transmission network meets or exceeds the aggregate clean energy standard for all
7 load-serving entities on the interconnected electric energy transmission network.

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

9 (1) "clean energy credit" means one credit equal to the generation
10 attributes of one megawatt hour that is derived from a renewable energy resource
11 located within the load-serving entity's service area or within the interconnected
12 electric energy transmission network where a load-serving entity's service area is
13 located; where fossil and renewable fuels are co-fired in the same generating unit, the
14 unit is considered to generate renewable electrical energy in direct proportion to the
15 percentage of the total heat input value represented by the heat input value of the
16 renewable fuels;

17 (2) "clean energy standard" means the required percentage of a load-
18 serving entity's net electrical energy sales to customers in the entity's service area that
19 is represented by renewable electrical energy as required under AS 42.05.900(a);

20 (3) "compliance period" means each 10-year period identified in
21 AS 42.05.900(a);

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

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

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

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

31 (8) "renewable electrical energy" means electricity or energy generated

1 from renewable energy resources;

2 (9) "renewable energy resource" means

3 (A) wind, solar, geothermal, wasteheat recovery, hydrothermal,
4 wave, tidal, river in-stream, or hydropower;

5 (B) low-emission nontoxic biomass based on solid or liquid
6 organic fuels from wood, forest and field residues, or animal or fish products;

7 (C) dedicated energy crops available on a renewable basis; or

8 (D) landfill gas and digester gas;

9 (10) "renewable energy storage" means the capture of energy produced
10 at one time for use at a later time;

11 (11) "transmission network constraint" means a lack of transmission
12 line capacity to deliver electricity without exceeding thermal, voltage, and stability
13 limits designed to ensure reliability of the interconnected electric energy transmission
14 network.

15 * Sec. 6. AS 44.83.940 is amended by adding a new subsection to read:

16 (b) The authority shall biennially, not later than the first day of the first regular
17 session of each legislature, prepare a report identifying progress developing renewable
18 and clean energy resources in rural parts of the state. The report shall include a
19 description of the authority's regional planning efforts in rural areas for renewable and
20 clean energy resource development, identify infrastructure necessary for rural
21 renewable and clean energy projects, and evaluate the feasibility and cost of the rural
22 renewable and clean energy projects.

23 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 REGULATIONS. Within two years after the effective date of this Act, the Regulatory
26 Commission of Alaska shall adopt regulations necessary to implement the changes made by
27 this Act.

28 * Sec. 8. This Act takes effect July 1, 2022.