



## **House Bill 121—Utilities: Renewable Portfolio Standards** *Version A Sectional Analysis*

**Section 1** – Amends the uncodified law the State of Alaska and clarifies the purpose of this Act is to establish a standard for certain utilities to meet renewable electricity generation goals established under Section 5 of the Act. Nothing in the Act is intended to constitute implementation by the Regulatory Commission of Alaska under the federal Public Utility Regulatory Policy Act of 1979.

**Section 2** – Amends Sec. 42.05.391 to stipulate that public utilities that offer net metering to customers with installed distributed energy systems are not engaging in rate discrimination. This section references Sec. 42.05.930 which defines a “distributed energy system” as renewable energy resources 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.

**Section 3** – Amends Sec. 42.05.780, which governs integrated resource plans for electric reliability organizations, to require integrated resource plans to include options by which each load-serving entity may satisfy the renewable portfolio standard.

**Section 4** – Amends Sec. 42.05.785, which governs large energy facility project preapproval, by stipulating that a public utility which is part of an electric reliability organization may not construct a large energy facility unless the Regulatory Commission of Alaska determines that the facility is not detrimental to a load-serving entity’s ability to meet the renewable portfolio standard.

**Section 5** – Adds new article under Sec. 42.05 entitled Article 11A. Renewable Portfolio Standard (RPS). AS 42.05.900 requires a load-serving entity that is subject to the standards of an electric reliability organization comply with the renewable portfolio standard and requires regulated Railbelt electric utilities diversify their current generation portfolio by increasing the proportion of net electricity production from renewable energy sources in three successive steps: 25 percent by 2027, 55 percent by 2035, and 80 percent by 2040.



Sec. 42.05.900 also stipulates that a purchase power agreement entered into between a load-serving entity and a renewable electrical producer will satisfy all or part of the percentages required under the previous subsection if three conditions are met: (1) the effective date of the agreement is before the end of the compliance period, (2) the renewable electrical energy producer delivers the energy to the load-serving entity not later than two years after the compliance period, and (3) the purchase power agreement is approved by the Regulatory Commission of Alaska (RCA). Purchase power agreements not approved by the Commission may result in the load-serving entity being subject to a noncompliance fine.

Sec. 42.05.900 governs the qualifications for a load-serving entity's renewable portfolio which stipulate that the renewable energy resources must be located within the load-serving entity's service area, the same interconnected electric energy transmission network, or located within the service area of an electric utility whose customers receive Power Cost Equalization (PCE).

Sec. 42.05.900 also stipulates that load-serving entities may satisfy the RPS with energy produced by distributed energy systems, regardless of whether the energy is acquired by the load-serving entity or used by the customer. Under this statute, energy produced by customers may count toward the RPS of the load-serving entity.

Article 11A also governs the data needed to determine compliance with the RPS and the accounting system needed to verify compliance.

The RCA is directed to adopt regulations to develop a proxy system for the energy produced from distributed energy systems which shall be updated every five years.

Sec. 42.05.900 authorizes a load-serving entity to satisfy the RPS through renewable energy credits that are authorized by Sec. 42.05.910 (new statute) and allows a load-serving entity to use energy efficiency investments to satisfy the RPS if the displaced energy consumption is established by the State of Alaska.

Sec. 42.05.905 establishes reporting requirements for load-serving entities subject to the RPS. Beginning March 1, 2025, a load-serving entity must submit an annual report to the RCA documenting the progress toward satisfying the RPS in the preceding calendar year. The annual report must include the entity's total



production from distributed energy systems and net electricity sales from renewable energy resources. The annual report must also document the load-serving entity's satisfaction of penalties imposed under the noncompliance section of this Act. The RCA must adopt regulations related to reporting and is authorized to investigate and collect information about a load-serving entity's compliance with the RPS.

Sec. 42.05.910 governs the use of renewable energy credits. To qualify as part of a load-serving entity's portfolio, renewable energy credits must be bundled from generation located within the entity's service areas or connected to the same interconnected electric transmission network. Credits can also qualify if they are purchased from renewable sources located within the service area of an electric utility that serves customers who receive PCE.

A renewable energy credit may only be used once, and renewable energy credits must be tracked in compliance with the RPS. Credits may be traded, sold, or otherwise transferred for value and revenue received by a load-serving entity from renewable energy credits is to be credited to the entity's cost of power adjustment to the benefit of the load-serving entity's customers.

Sec. 42.05.915 establishes a noncompliance fine for a load-serving entity that fails to meet the RPS, set at \$20 for every megawatt hour that the entity is below the RPS.

The RCA may waive noncompliance fines if it is determined that a load-serving entity is unable to meet the RPS because of reasons outside the reasonable control of the load-serving entity as set out in subsection (c) of this section or if the entity establishes a good cause for noncompliance as set out in subsection (d) of this section.

The RCA may require additional reporting by a load-serving entity if the commission waives all or part of a noncompliance fine and a load-serving entity is prevented from passing along the cost of non-compliance fines directly to customers through rate increases.

A load-serving entity must satisfy a noncompliance fine by paying a customer all or a portion of the costs of installing a distributed energy system or energy efficiency technologies. If the total requests for costs exceed the amount of the noncompliance fine, the load-serving entity shall prioritize customers with mean household incomes at or below 80 percent of the mean annual income where the customer is located.

Sec. 42.05.920 establishes exemptions for entities related to RPS compliance if the aggregate net electricity sales for all load-serving entities on the interconnected electric energy transmission network meets or exceeds the aggregate renewable portfolio standard for all load-serving entities on the interconnected network.

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Additionally, a load-serving entity is exempt from its first RPS noncompliance fine. An exemption under this subsection does not apply for the compliance period ending December 31, 2040.

Sec. 42.05.925 requires a load-serving entity subject to the RPS to credit a retail customer for the number of kilowatt-hours of electric energy supplied by the customer's distributed energy system. The tariff may not limit the aggregate capacity that customers may install unless the RCA finds that capacity limitation is necessary to protect system reliability. This is also known as net metering.

A credit under Sec. 42.05.925 which exceeds the customer's monthly bill for service will roll over to the following month and continue to roll over until used. Unused credits expire on March 31 of each year for up to seven years after a customer's distributed energy system is connected to the load-serving entity and generates power.

Sec 42.05.930 provides for definitions used under Article 11A.

**Section 6** – Amends Sec. AS 42.45.110 to exclude revenue from the sale of recovered heat, or revenue from the sale of renewable energy credits from calculating PCE.

**Section 7** – Amends Sec. 44.83.940 by adding a new subsection requiring the Alaska Energy Authority to submit a report to the Alaska State Legislature identifying the authority's progress in developing renewable energy resources in rural regions of the state, evaluating renewable energy resource development in rural regions, identifying infrastructure necessary for rural renewable energy projects, and evaluating the feasibility and cost of rural renewable energy projects.

**Section 8** – Establishes an effective date of July 1, 2023.