

HOUSE BILL NO. 151

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

Introduced: 5/3/19

Referred: House Special Committee on Energy, Resources

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the regulation of electric utilities and electric reliability**
2 **organizations; and providing for an effective date."**

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

4 *** Section 1.** AS 42.05 is amended by adding new sections to read:

5 **Sec. 42.05.292. Electric reliability organizations.** (a) An electric utility must
6 participate in an electric reliability organization if the utility operates in an
7 interconnected electric energy transmission network served by an electric reliability
8 organization certified by the commission.

9 (b) A person may submit to the commission an application for certification as
10 an electric reliability organization for an interconnected bulk-power system. The
11 commission may certify one electric reliability organization for each interconnected
12 electric energy transmission network. The commission may certify an electric
13 reliability organization if the commission determines that the electric reliability
14 organization

1 (1) has the ability to develop reliability standards that provide for an
2 adequate level of reliability of a bulk-power system;

3 (2) has the ability to develop a plan under AS 42.05.293(a);

4 (3) has the ability to establish rules to

5 (A) ensure fair stakeholder representation in the selection of its
6 directors and balanced decision making in an electric reliability organization,
7 committee, or subordinate organizational structure;

8 (B) equitably allocate reasonable dues, fees, and other charges
9 among all load-serving entities connected to the bulk-power system for all
10 activities under this section;

11 (C) provide fair and impartial procedures for the enforcement
12 of reliability standards;

13 (D) provide for reasonable notice and opportunity for public
14 comment, due process, openness, and balance of interests in developing
15 reliability standards and exercising its duties;

16 (4) has established rules to provide for its independence from the users,
17 owners, and operators of the bulk-power system; and

18 (5) is governed by a board that

19 (A) includes as nonvoting members the commissioner or the
20 commissioner's designee and the attorney general or the attorney general's
21 designee; and

22 (B) is formed as

23 (i) an independent board;

24 (ii) a balanced stakeholder board; or

25 (iii) a combination independent and balanced
26 stakeholder board.

27 (c) The commission shall form an electric reliability organization if the
28 commission determines that no person

29 (1) has applied for certification as an electric reliability organization
30 under (b) of this section; and

31 (2) is likely to apply for certification as an electric reliability

1 organization in the next 6 months.

2 (d) An electric reliability organization shall file with the commission a
3 reliability standard or modification to a reliability standard as a new or revised tariff
4 provision. All users, owners, and operators of a bulk-power system shall comply with
5 reliability standards contained in a tariff that is proposed by an electric reliability
6 organization and approved by the commission. The commission may enforce a
7 reliability standard adopted under this section. The reliability standard adopted under
8 this section

9 (1) shall contain a requirement, approved by the commission under this
10 section, to provide for

11 (A) reliable operation of the bulk-power system;

12 (B) operation of a bulk-power system facility;

13 (C) cybersecurity protection; or

14 (D) additions or modifications to a bulk-power system facility

15 to the extent necessary to provide for reliable operation of the bulk-power
16 system;

17 (2) may not include a requirement to enlarge bulk-power system
18 facilities or to construct new transmission capacity or generation capacity.

19 (e) The commission may approve, reject, or amend in whole or in part a
20 proposed reliability standard or modification submitted by an electric reliability
21 organization if the commission determines that the standard is just, reasonable, not
22 unduly discriminatory or preferential, and in the public interest. A proposed standard
23 or modification takes effect upon approval by the commission. A standard approved
24 under this subsection satisfies the requirements of AS 42.05.291(c).

25 (f) The commission may, on its own motion or upon complaint, order an
26 electric reliability organization to submit to the commission a proposed reliability
27 standard or modification to a reliability standard that addresses a specific matter.

28 (g) Except as provided in (h) of this section, an electric reliability organization
29 may impose a penalty on a user, owner, or operator of an interconnected bulk-power
30 system for a violation of a reliability standard if, after notice and a hearing, the electric
31 reliability organization

1 (1) finds that the user, owner, or operator has violated a reliability
2 standard; and

3 (2) files notice of the proposed penalty and the record of the
4 proceeding with the commission at least 30 days before imposition of the penalty.

5 (h) The commission may set aside, reinstate, or modify a penalty imposed
6 under (g) of this section.

7 (i) The commission may, on its own motion or upon complaint, order a user,
8 owner, or operator of a bulk-power system to comply with a reliability standard and
9 impose a penalty against the user, owner, or operator of a bulk-power system if the
10 commission finds, after notice and a hearing, that the user, owner, or operator of the
11 bulk-power system has engaged or is about to engage in an act or practice that violates
12 a reliability standard.

13 (j) A penalty imposed under (g), (h), or (i) of this section must bear a
14 reasonable relation to the seriousness of the violation and take into consideration the
15 effort of a user, owner, or operator to remedy the violation in a timely manner.

16 (k) The commission may direct an electric reliability organization to conduct
17 assessments of the reliability and adequacy of the bulk-power system.

18 (l) The commission shall adopt regulations governing an electric reliability
19 organization consistent with this section. Regulations under this section

20 (1) may include a requirement that an electric reliability organization
21 obtain a certificate of public convenience and necessity;

22 (2) must allow the electric reliability organization to recover its costs
23 through surcharges added to the rate for each participating electric utility.

24 **Sec. 42.05.293. Integrated lowest cost planning.** (a) An electric reliability
25 organization shall prepare and file with the commission a plan for meeting the
26 reliability requirements of customers within its interconnected bulk-power system in
27 the most cost-effective manner, consistent with the load-serving entities' obligations.
28 A plan must contain an evaluation of the full range of cost-effective means for load-
29 serving entities to meet the service requirements of customers, including additional
30 generation, transmission, and conservation or similar improvements in efficiency. A
31 plan must include options to meet customers' collective needs at the lowest cost,

1 regardless of the location or ownership of new facilities.

2 (b) The commission shall, after notice and a hearing, approve, reject, or
3 modify a plan submitted under (a) of this section, consistent with the public interest.

4 (c) The commission may include in a public utility's rates

5 (1) the cost of resources acquired in accordance with a plan adopted
6 under this section;

7 (2) the cost-effective expenditures for improving the efficiency with
8 which the public utility provides and its customers use utility services; and

9 (3) the cost of a utility to comply with the planning requirements of
10 this section, including planning costs and portfolio development costs.

11 (d) In this section,

12 (1) "planning costs" means the costs of evaluating the future demand
13 for services and alternative methods of satisfying future demand;

14 (2) "portfolio development costs" means the costs of preparing a
15 resource in a portfolio for prompt acquisition of the resource.

16 **Sec. 42.05.294. Building permissions.** (a) A public utility may not construct a
17 large energy facility unless the commission makes a determination that

18 (1) the facility

19 (A) is necessary to the bulk-power system with which it would
20 be interconnected;

21 (B) complies with reliability standards; and

22 (2) a load-serving entity that is substantially served by the project
23 would be more cost-effective.

24 (b) A large energy facility that was included in the most recent integrated
25 resources plan approved under AS 42.05.293 is considered to satisfy the requirements
26 of (a) of this section without a determination by the commission.

27 (c) In this section, "large energy facility" means

28 (1) an electric power generating plant or combination of plants at a
29 single site with a combined capacity of 15,000 kilowatts or more with transmission
30 lines that directly interconnect the plant with the transmission system; or

31 (2) a high-voltage transmission line that

1 (A) has a capacity of 69 kilovolts or more; and

2 (B) is greater than 5 miles in length.

3 * **Sec. 2.** AS 42.05.990 is amended by adding new paragraphs to read:

4 (14) "bulk-power system" means

5 (A) a facility or control system that

6 (i) is owned by more than one electric utility;

7 (ii) is necessary for operating an interconnected electric
8 energy transmission network or a portion of an interconnected electric
9 energy transmission network; and

10 (iii) is not used in the local distribution of electric
11 energy; or

12 (B) an electric energy generation facility that

13 (i) is owned by more than one electric utility;

14 (ii) is necessary to maintain the reliability of a
15 transmission system; and

16 (iii) is not used in the local distribution of electric
17 energy;

18 (15) "cybersecurity incident" means a malicious act or suspicious
19 event that disrupts or attempts to disrupt the operation of programmable electronic
20 devices and communication networks, including hardware and software that are
21 essential to the reliable operation of the bulk-power system;

22 (16) "electric reliability organization" means an organization that is
23 certified by the commission under AS 42.05.292;

24 (17) "interconnected electric energy transmission network" means a
25 network of bulk-power system components operating in a geographic area that are
26 synchronized so that the failure of one or more of the components may adversely
27 affect the ability of the operators of other components within the system to maintain
28 reliable operation of the facilities within the control of the operators;

29 (18) "load-serving entity" means an electric utility that has a service
30 obligation to distribute power to end users;

31 (19) "reliable operation" means operating the elements of the bulk-

1 power system within equipment and electric system thermal, voltage, and stability
2 limits so that instability, uncontrolled separation, or cascading failures of the system
3 will not occur as a result of a sudden disturbance, including a cybersecurity incident,
4 or unanticipated failure of system elements.

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

7 TRANSITION: REGULATIONS. The Regulatory Commission of Alaska may adopt
8 regulations necessary to implement the changes made by this Act. The regulations take effect
9 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
10 implemented by the regulation.

11 * **Sec. 4.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

12 * **Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect July 1, 2020.