

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON ENERGY**

May 9, 2019  
1:04 p.m.

**MEMBERS PRESENT**

Representative Grier Hopkins, Chair  
Representative Ivy Spohnholz, Vice Chair  
Representative John Lincoln  
Representative George Rauscher

**MEMBERS ABSENT**

Representative Zack Fields  
Representative Tiffany Zulkosky  
Representative Lance Pruitt

**COMMITTEE CALENDAR**

HOUSE BILL NO. 151

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

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 151

SHORT TITLE: ELECTRIC RELIABILITY ORGANIZATIONS

SPONSOR(s): ENERGY

05/03/19	(H)	READ THE FIRST TIME - REFERRALS
05/03/19	(H)	ENE, RES
05/09/19	(H)	ENE AT 8:30 AM CAPITOL 17

**WITNESS REGISTER**

JOE G. HARDENBROOK, Staff  
Representative Grier Hopkins  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 151 on behalf of the House Special Committee on Energy, sponsor, on which Representative Grier serves as chair.

ROBERT PICKETT, Commissioner  
Regulatory Commission of Alaska (RCA)  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 151.

**ACTION NARRATIVE**

[1:04:24 PMS](#)

**CHAIR GRIER HOPKINS** called the House Special Committee on Energy meeting to order at 1:04 p.m. Representatives Lincoln, Rauscher, Spohnholz, and Hopkins were present at the call to order.

**HB 151-ELECTRIC RELIABILITY ORGANIZATIONS**

[1:05:07 PM](#)

CHAIR HOPKINS announced that the only order of business would be HOUSE BILL NO. 151, "An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date."

CHAIR HOPKINS passed the gavel to Vice Chair Spohnholz.

[1:05:41 PM](#)

The committee took a brief at-ease.

[1:06:38 PM](#)

CHAIR HOPKINS paraphrased from a written statement, which read as follows [original punctuation provided]:

Madame Chair - thank you for the opportunity to present HB 151 to the committee today. In 2014, the Alaska Legislature provided the Regulatory Commission of Alaska a grant of \$250,000 and a request that the commission determine "whether creating an independent system operator or similar structure for electric utilities in the railbelt area is the best option for effective and efficient electrical transmission." This legislative appropriation and request has resulted in almost five years of consistent effort by the Regulatory Commission and Railbelt utilities to examine this technically complex issue. Inherent to

these discussions on cooperation, sharing of resources and economies of scale are political, regional and parochial interests and considerations. A review of the comments submitted to the RCA [Regulatory Commission of Alaska] abundantly illustrate the wide cooperation - and concerns - of utilities, ratepayer groups, non-profits and local governments during this process.

The efforts of the RCA have resulted in voluminous records of hearings, public comment and shared data. The process undertaken by the RCA has resulted in increased cooperation amongst the utilities of the Railbelt, better information sharing between the RCA and the utilities, and an understanding that the RCA may lack adequate authority under existing statutes to create and/or regulate an independent system operator for the railbelt.

To this end, the RCA drafted suggested legislative language in March of this year and requested that interested parties submit comments and suggested revisions. The legislation that we are considering today is the legislative manifestation of those efforts. As chair of this committee, I asked Legislative Legal Services to craft legislation based upon the suggested legislative language upon which the RCA has been receiving public comments. It was our goal that this bill mirror as closely as possible the intent of the legislative language drafted by the RCA, and use the bill as a vehicle to examine, explore and gain a greater understanding of this complex issue. If events in the near future demonstrate that the RCA's proposed legislative language is a necessary tool to bring about increased efficiency, cooperation and cost-savings for the railbelt utilities and consumers, this legislation can be a vehicle to grant the RCA new authority to regulate - and, if necessary - create an entity to accomplish these goals.

I'd like to thank the commissioners of the RCA, their staff and the personnel at the Department of Commerce, Community and Economic Development for their assistance in bringing this bill before us. Additionally, the railbelt utilities have demonstrated an increasing willingness to cooperate with each other - both through the data sharing that has been a part

of the RCA's process to date and through real and documented advances in joint planning, pooling and resource sharing. These efforts are laudable and should be recognized.

All these things said, there is a challenging road ahead for bringing about greater efficiency and cooperation among railbelt utilities. Should voluntary measures towards that end continue to flounder, this legislation will be primed and ready to allow the RCA to advance Alaska towards that goal.

At this point, I'll hand the presentation over to Mr. Hardenbrook, aide to the committee, to discuss the components of the bill. Thank you, Madame Chair.

1:11:26 PM

JOE G. HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, on behalf of the House Special Committee on Energy, sponsor, presented HB 151. He paraphrased written information, which read as follows [original punctuation provided]:

Madame Chair - thank you for the opportunity to present HB 151 to the committee today. As Representative Hopkins mentioned earlier, this legislation has come before us due to the efforts of the RCA in addressing a question posed by the legislature in 2014. Following this overview, Commissioner Pickett of the RCA will be available to discuss at greater lengths the RCA's process, timeline, recommendations and findings over the years that they have examined this issue. Additionally, we have online today Sandon Fisher of the Legislative Legal Agency to answer questions from the committee. I'd like to take a moment to go through the back up material we've provided to the committee for their edification on this topic.

The first item is a letter dated June 30, 2015 from Commissioner Pickett - in his capacity as Chair of the RCA - sent to then-Speaker Chenault and then-President Meyer detailing the RCA's findings and recommendations in response to the legislature's question on the advisability of creating an independent system operator or similar structure for the Railbelt. The

letter notes that for over 40 years, concerns about the "fragmented, balkanized and often contentious Railbelt utilities have been raised numerous times," and that over \$1.5 billion had been invested in new generation in the five-year span from 2010 to 2015 - an unprecedented level of investment. The letter goes on to state "To realize the maximum benefit from this investment, the Railbelt electrical transmission system and generation must be operated in the most effective and efficient manner possible. The key question is: does the current institutional structure allow the maximum benefits to be realized? Is there evidence to believe the current system is not optimal? If the electrical system in the Railbelt has opportunity for improvement, what are the options and how do we best get there?" Also identified was the lack of an institutional structure to finance new transmission projects across the respective service areas of the Railbelt utilities. A study by the Alaska Energy Authority and Electric Power Systems Consulting Engineers identified \$900 million in such cross-service area projects that could, if constructed and managed for maximum economic dispatch, yield annual projected savings of \$146 to \$241 million.

The letter of 2015 identified five key questions to answer:

1. What does an economically efficient electrical system look like?
2. Is there reason to believe that the Railbelt is not a fully efficient system?
3. What can we learn from the previous efforts at reform?
4. What are the ranges of generic policy instruments to move towards greater efficiency in the Railbelt?
5. What are specific examples of Independent System Operator (ISO)/Transco models, and how applicable are they to the Railbelt situation?

[1:14:25 PM](#)

Additionally, five findings and recommendations were included in the letter, which I will summarize here:

First - the Railbelt electrical transmission system requires institutional reform. The RCA recommended an independent transmission company should be created.

Second - While short term energy transactions are occurring between utilities, true economic dispatch system-wide does not occur. The letter noted that lower 48 independent system operator models may be overly complex for the comparatively small Railbelt utilities, and that a more simple, custom setup may be more appropriate. The RCA recommended system-wide economic dispatch making full use of the regulatory and statutory authority possessed by the RCA and noted that voluntary efforts utilizing power pools could be interim steps towards tighter power pooling and economic dispatch. Further, the letter states that if voluntary efforts to move towards system-wide economic dispatch fail, the RCA will work with the legislature and administration to institutionalize system-wide economic dispatch.

Third - Here I will read directly from the letter: "Many past efforts to reform and rationalize the Railbelt electrical system have failed. Substantial time and money has been expended on consulting reports, endless meetings, legislative hearings, and many frustrating hours in the RCA's East Hearing Room. A great deal of skepticism exists about the ability of the electric utilities to voluntarily reform and restructure the Railbelt grid and move towards true merit order economic dispatch." The RCA recommended that should voluntary efforts fail that compulsory steps be taken.

Fourth - Railbelt utilities and consumers will benefit from systemwide reliability standards.

Fifth - In order to implement a Railbelt-wide plan, the RCA's resources will be stretched thin and may require regulatory cost charges in addition to those currently assessed.

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I share this letter with the committee to help paint a full picture of how the legislation before the committee has come to be. Commissioner Pickett will go into greater detail on the efforts undertaken by the RCA since this letter, and the voluntary efforts, timelines and data collection the commission has

requested, directed and overseen from Railbelt utilities since that time.

Madame Chair, I would like to note and appreciate the efforts of the RCA, Legislative Legal and the Attorney General's office in the drafting of this legislation. I anticipate that the committee's review of this legislation will be thorough, and that these entities will continue to play a key role in our understanding of this issue and our actions to bring about a more cost-effective and resource-efficient electrical system in Alaska's Railbelt.

[1:17:16 PM](#)

MR. HARDENBOOK presented the sectional analysis, which read as follows [original punctuation provided]:

**Section 1** amends AS 42.05 to allow the Regulatory Commission of Alaska (RCA) to regulate Interconnected Electric Energy Transmission Networks (IEETN) and Electric Reliability Organizations (ERO) and mandates that utilities participate in an ERO if they operate in an IEETN.

**Section 1, Subsection b** lays out a process for the RCA to certify an ERO, including rules for:

1. creating and approving/denying reliability standards
2. membership of an ERO's board of directors and its decision-making process
3. equitable distribution of fees and charges
4. enforcement of reliability standards
5. an open process for crafting standards and exercising its duties

Subsection b further mandates that an ERO's rules provide for independence from users, owners and operators of bulk-power systems and that the board's membership include the Chair of the RCA and the Attorney General (or their designees) as non-voting members.

**Section 1, Subsection c** lays out a process by which the RCA can create, certify and regulate an ERO if no entity or person steps forward to create one.

**Section 1, Subsection d** mandates that ERO reliability standards and modifications shall be tariff

provisions, and that users, owners and operators of bulk-power system shall comply with reliability standards proposed by the ERO and approved by the RCA. This subsection further mandates that any reliability standards provide for operation of the bulk-power system or facility, cybersecurity protection and the ability to modify the standards to ensure reliability. Further, reliability standards may not mandate enlargement of existing or construction of new transmission or generation capacity.

**Section 1, Subsections e&f** allow the RCA to approve, deny, modify and enforce reliability standards - during drafting and when they are in effect - by the RCA's own motion or upon complaint.

**Section 1, Subsections g, h, i & j** state that an ERO may penalize a user, owner or operator of a bulk-power system for violating reliability standards and notifies the RCA of its action. The RCA can uphold, modify or discard the ERO's penalties upon appeal. Further, the RCA can order a user, owner or operator of a bulk-power system to comply with a reliability standard and penalize offending parties. Penalties must be commensurate to the seriousness of the violation and consider efforts taken to address the violations.

**Section 1, Subsections k & l** allow the RCA to mandate an ERO conduct assessments of the bulk power system. Further, the RCA may adopt regulations governing EROs, including cost recovery surcharges and potentially requiring an ERO obtain a certificate of public convenience and necessity.

**Section 1, Sec 42.05.293** details the process an ERO must follow to accomplish Integrated Lowest Cost Planning within the proposed reliability standards. Standards must evaluate the cost-effectiveness of meeting customer service requirements, including new generation, transmission and conservation projects - at the lowest cost, regardless of the location or ownership of new facilities.

**Section 1, Sec 42.05.294** grants RCA the authority to prohibit or allow new construction of large energy facilities in line with the requirements of a bulk-

power system and adopted reliability standards. This section also defines "large energy facility."

**Section 2** defines bulk power systems, cybersecurity incidents, electric reliability organization, interconnected electric energy transmission network, load-serving entity and reliable operation.

**Section 3** authorizes RCA to adopt regulations that will take effect after the effective date of this bill.

**Sections 4 & 5** deal with effective dates.

[1:21:38 PM](#)

MR. HARDENBROOK, having concluded his presentation of the sectional analysis, offered to answer questions from the committee and pointed out that Sandon Fisher of Legislative Legal Services was available via teleconference to answer questions.

[1:21:52 PM](#)

REPRESENTATIVE RAUSCHER asked which model was used to identify the previously mentioned cost savings of \$146-\$240 million.

MR. HARDENBROOK answered page 2, third paragraph, of a letter to former Senate President Meyer and former Speaker of the House Chenault.

[1:22:53 PM](#)

The committee took a brief at-ease.

[1:23:18 PM](#)

MR. HARDENBROOK referred again to third paragraph of the aforementioned letter.

REPRESENTATIVE RAUSCHER asked, "Did you run it by the governor?"

MR. HARDENBROOK explained that HB 151 was based on language drafted by the RCA, and the sponsor and staff have worked with the RCA and the Department of Commerce, Community & Economic Development (DCCED), but not directly with the Office of the Governor.

CHAIR HOPKINS added that he and his staff have worked with the Office of the Attorney General - which works with the RCA - to ensure that the language in HB 151 mirrored the original language put forth by the RCA.

REPRESENTATIVE RAUSCHER noted that his district comprises three utilities - Golden Valley Electric Association (GVEA), Copper Valley Electric Association (CVEA), and Matanuska Electric Association (MEA) - and he asked whether the bill sponsor had "discussed it with each or one of those utilities before drafting it."

CHAIR HOPKINS answered that he had not spoken directly with the utilities, because they had the opportunity to comment on the draft legislation put forward by the RCA. He remarked that since it is only the railbelt utilities being addressed, only GVEA and MEA, in Representative Rauscher's district, would be impacted by the Electric Reliability Organization (ERO).

REPRESENTATIVE RAUSCHER asked if the utilities are in support of the proposed language.

CHAIR HOPKINS answered that support varied with each utility. He explained that some want the voluntary ability, some want stronger action, and some have concerns about cost options.

MR. HARDENBROOK added that the sponsor's staff has reached out to the representatives of all the railbelt utilities to make sure they are aware of the work being done on the issue and the hearing that would be taking place today.

VICE CHAIR SPOHNHOLZ offered her understanding that the railbelt utilities have been working for several years to put together a Railbelt Reliability Corporation (RRC), and currently four of the six have agreed to participate. Further, she proffered that this is the second consecutive legislature where the chair of the House Special Committee on Energy has introduced legislation encouraging the railbelt utilities to engage in a reliability project. She indicated that Alaska has a lot of utilities for its comparatively small population, in part because of the geography of the state, and the state cannot overbuild its energy capacity. She said a proposed rate savings of \$146-\$241 million annually is a significant amount. She suggested that utilities could be invited to testify at a future hearing on HB 151 to express their thoughts about the proposed legislation.

She asked Representative Rauscher if that would address his concern.

REPRESENTATIVE RAUSCHER said he doesn't understand much about this, but appreciates what has been said. He asked for confirmation that the comment period had ended a few weeks ago.

CHAIR HOPKINS responded yes.

REPRESENTATIVE RAUSCHER asked what the RCA has done with the comments.

VICE CHAIR SPOHNHOLZ suggested the question could be asked directly of a representative of the RCA, Robert Pickett.

REPRESENTATIVE RAUSCHER shared that he had not realized Mr. Pickett would be available at today's hearing.

MR. HARDENBROOK noted that the legislature would receive a report early next week from the RCA detailing its work on the issue, including the five areas Mr. Hardenbrook mentioned and progress to date since 2015. He indicated there would be a wealth of documentation for those interested to review.

VICE CHAIR SPOHNHOLZ announced the committee would hear invited testimony on HB 151.

[1:30:15 PM](#)

ROBERT PICKETT, Commissioner, Regulatory Commission of Alaska (RCA), Department of Commerce, Community & Economic Development (DCCED), imparted that he has been commissioner for 12 years and chair of the commission for 6 of those years. He remarked that the previous speakers had given good information regarding what the RCA did in 2014 and the letter of 2015, which contained the RCA's findings and recommendations. Regarding the language put out by the RCA in mid-March, he said the RCA thought it would be helpful to get input from the industry and "other impacted parties" regarding areas the RCA considered in need of attention. That said, he highlighted that at this point, the RCA has a formalized process by which it determines support or opposition to a bill. He observed that the language in HB 151 seems "conservative" compared to the language put out by the RCA. He added, "We have not, however, addressed all of the comments we did receive and ... hammered out some further language." Notwithstanding that, he opined that HB 151 would "get the ball rolling." He confirmed that the RCA would be

submitting its findings to the legislature early next week in a three-page letter to leadership made available to all members of the legislature. He said there would be approximately 17 pages of an appendix detailing each recommendation. That information would be backed up by a record of nearly 2,000 pages.

[1:33:01 PM](#)

MR. PICKETT reviewed the first recommendation in the aforementioned letter, which read as follows [original punctuation provided, with some formatting changes]:

**Recommendation No.1:** An independent transmission company should be created to operate the transmission system reliably and transparently and to plan and execute major maintenance, transmission system upgrades, and new transmission projects necessary for the reliable delivery of electric power to Railbelt customers. This independent transmission company should be certificated and regulated as a public utility under AS 42.05. The RCA should be granted siting authority for new generation and transmission, and granted explicit authority to regulate integrated resource planning in the Railbelt electrical system. A mandatory report on the status of the current efforts to develop an independent Railbelt electric transmission company shall be filed with the Commission no later than September 30, 2015. A second report on transmission restructuring shall be filed with the Commission no later than December 31, 2015. Failure to file these reports will be construed as a failure of the current voluntary efforts to develop an independent Railbelt electric transmission company. If voluntary efforts fail, the Commission will work with the Legislature and the Administration to develop and implement specific legislation and to prioritize actions necessary to create an independent Railbelt electric transmission company.

MR. PICKETT stated that the idea has been around for quite some time. He continued as follows:

In fact, back in 2007, the legislature appropriated roughly \$800,000 to put into effect what was called the [Railbelt Electrical Grid Authority] (REGA) Study. That was when the Watana planning was still going on and there were some obvious constraints in the defense

mission a couple years later that went to the Alaska Energy Authority study on transmission, and the ... figure that was mentioned a little earlier, with some ... savings - I think there's been a lot of reassessment of that particular study, and with that, ... they're probably not nearly as robust as what was indicated in the outcome of that study. But ... we have clearly identified some real savings that can be attained ... from the world's large utilities over the past five years.

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MR. PICKETT reported that since 2015, a business plan was filed, and a certificate of public inconvenience and assessment of application was anticipated by September 2016, but over the next few years progress seemed to slow down. He said the RCA received an application on 2/25/19 for transfer certificate of public convenience and necessity (CPCN). He said, "It did not have all of the ... utilities involved as [signatories], but they have been involved in terms of the planning process." He said he could not speak to that further, but noted that the RCA supports the recommendation for the creation of an independent transmission company. He said it is highly unlikely that the legislature will be able to make significant appropriations for transmission projects, but he talked about mechanisms being put in place.

[1:35:49 PM](#)

MR. PICKETT referred to the second recommendation in the letter, which read as follows [original punctuation provided, with some formatting changes]:

**Recommendation No.2:** System-wide merit order economic dispatch of the Railbelt's electrical generation units will bring the maximum benefit to ratepayers. The Commission should use all the regulatory and statutory authority it currently has to strongly promote economic dispatch, and seek new statutory authority as needed to promote this goal. Voluntary efforts by the utilities to utilize loose power pools should be encouraged as an interim step towards a tighter power pooling system. As actual data is generated concerning costs, benefits and other outcomes of voluntary power pooling strategies, quarterly reports shall be filed with the Commission. These reports will be analyzed

and reviewed to assess the organizational and governance structure needed for an independent consolidated system operator. The first report shall be for the fourth quarter of 2015 (October 1, 2015 through December 31, 2015) and shall be filed no later than January 30, 2016. Quarterly reports shall be filed with the Commission throughout 2016, due no later than 30 days after the end of the applicable reporting quarter. Failure to file these quarterly reports will be construed as a failure of voluntary efforts to move towards system-wide merit order economic dispatch. If voluntary efforts fail, the Commission will work with the Legislature and the Administration to develop and implement specific action steps to institutionalize system-wide merit order dispatch.

MR. PICKETT explained that the new generation is significantly more efficient in terms of natural gas or coal, and the RCA wants to encourage institutional change that would "make that happen." He said given the size of the market, it was determined that it would be more effective to focus first on loose, power pool agreements, then move into more binding, longer-term, tighter pool agreements. He said after 2016, the idea of creating a stand-alone, unified system operator was deemed to be "not the most effective use for resources." He said pooling may provide a "platform in the future for that to happen." He said Chugach Electric and Municipal Light and Power started with very tight pooling and estimated a savings of a minimum of \$10 million annually. He said they were beginning to apply that model for the rest of the railbelt. He indicated that three utilities in the central railbelt "eventually signed on, on a more formalized basis into this tight pool" and saw an estimated savings of up to \$16 million. He mentioned a joint agreement that was entered into, and there was a one-year development period, and "they did come back to us in September of 2017 and continued to have a fairly optimistic picture of what was going on." He said those involved were trying to figure out how to integrate the nonparties - both GVEA and Palmer Electric Company (PEC). He mentioned a presentation was made in May 2018 and follow-up efforts were made in June 2018. He said:

That was after a merger was approved by voters of Anchorage, and we had some questions as to whether that was going to have any impact on this, and at that time we were told that, "No, it would not." That changed, and by October of last year, we were informed

that that process had essentially stopped, and until all of the activities related to the proposal were dealt with one way or another, they could not make any commitments as to when it would resume.

MR. PICKETT said the bad thing is that the savings will not be realized by the three utilities until "this process restarts," but the positive thing is that there has been an increase in the action between dispatch centers and a better understanding between utilities.

[1:40:46 PM](#)

VICE CHAIR SPOHNHOLZ asked Mr. Pickett if he was saying that the merger was responsible for the slowdown.

MR. PICKETT answered, "It was alluded that that was the fact." The transaction was not finalized, and he said he could not speak to it one way or another. Notwithstanding that, he proffered that it was a matter of staff resources and "the ability to continue on all these paths at the same time." In response to a follow-up question, he said the names of the three utilities mentioned previously were Municipal Light and Power, Chugach Electric, and MEA.

MR. PICKETT said the RCA continues to support Recommendation 2, as shown in the letter, regarding system-wide merit order economic dispatch of the Railbelt's electrical generation units. He noted that even though there is better cooperation between utilities, there is no institutional change.

[1:43:29 PM](#)

MR. PICKETT next brought attention to Recommendation 3 in the letter, which read as follows [original punctuation provided, with some formatting changes]:

**Recommendation No.3:** Though history strongly indicates that the current voluntary transmission restructuring and economic dispatch efforts by the utilities may fail, the Commission believes the utilities must be given the opportunity to succeed. The timelines outlined in Recommendations 1 and 2 allow for this potential success. Failure of the voluntary efforts and initiatives will trigger the compulsory steps identified in Recommendations 1 and 2.

MR. PICKETT said many comments have been received from various entities and utilities, and the RCA will address those comments. He said, "So, we do continue to support the voluntary efforts, but we believe that at this stage ... some additional incentives and pressure need to be put on."

[1:45:43 PM](#)

MR. PICKETT turned to Recommendation 4 in the letter, which read as follows [original punctuation provided, with some formatting changes]:

**Recommendation No.4:** Enforceable and consistent Railbelt operating and reliability standards are necessary for consistent, safe, reliable, and efficient operation of the Railbelt electric system. The RCA strongly encourages the IMC and Homer Electric to resolve their differences and develop a common Railbelt operating and reliability standard. In January 2016 the RCA will initiate a process to determine if it should adopt regulations concerning Railbelt operating and reliability standards.

MR. PICKETT said Alaska is the only state that does not have enforceable electric reliability standards. He said the Lower 48 is under the jurisdiction of the National Electrical Reliability Council (NERC) and the Federal Energy Regulatory Commission (FERC). Following a major blackout in the Midwest, in 2003, NERC was created with the authority to set up regional electrical liability organizations, with mandatory terms and stringent penalties set up. Hawai'i and Alaska were not covered. Hawai'i has since adopted many of the NERC guidelines and reliability standards in its state statute. Alaska is left as the state that has done nothing. Mr. Pickett explained that utilities have had standards on a voluntary basis. Most of the utilities signed on to the Intertie Management Committee (IMC) standards, while Homer Electric developed its own set of standards; the two standards were not entirely consistent. After 10 years, with the hard work of representatives of utilities and the Alaska Energy Authority (AEA), a modified standard applying to all the railbelt utilities was adopted. He indicated this happened in April 2018, which pleased the RCA. He stated, "We would see an RRC-type of organization fitting nicely into the ERO role, under the jurisdiction of the commission, and it would make things a lot more flexible, in terms of the maintenance and development of standards." He said utilities have technical expertise in terms of operational and

liability aspects of the standards and how this relates back to capital investment and "what might or might not have to happen."

MR. PICKETT said there are areas that need to be "fleshed out." He mentioned cyber-security concerns and physical security and "other things that are a little bit outside just normal operational issues but can provide a very significant impact to the functioning of the railbelt electric system." He said the utilities that voluntarily participated in several cyber security exercises have offered ideas on how to maintain confidentiality and the handling of classified information. He characterized the voluntary efforts in the reliability sector as "demonstrating the greatest amount of progress," but said that "the statutory approach that is mirrored in [HB] 151" would provide additional tools. Notwithstanding that, he said the RCA is strongly encouraging the RRC to "proceed ahead" and "keep moving as they have been moving" to be in position to respond to any changes

[1:52:40 PM](#)

MR. PICKETT directed attention to Recommendation 5 in the letter, which read as follows [original punctuation provided, with some formatting changes]:

**Recommendation No.5:** The RCA will be hugely impacted by these proposed Railbelt electric system changes. The initial action steps will need to be implemented within existing RCA resources. The Commission is self-supporting through regulatory cost charges (RCCs), and does not rely upon state undesignated general funds. If the RCA receives the necessary Administration and Legislative support, the FY 2017 RCA budget will require the necessary RCC funded resources to implement these proposed recommendations. Each of the findings and recommendations were voted upon individually at the June 29, 2015, RCA Special Public Meeting and all were passed unanimously. These recommendations are respectfully submitted to the Legislature for its review and consideration. Upon request, the Regulatory Commission of Alaska will assist the Legislature in developing solutions addressing these critical issues. Thank you for the opportunity to provide this information to you.

MR. PICKETT said for the past four and a half years, the RCA has been able to operate within its budgetary constraints, and it

anticipates that will not change with the proposed fiscal year 2020 (FY 20) budget. He talked about flexibility in position descriptions, and indicated it is difficult to fit into the state classification system, especially in terms of technical engineering and policy positions.

MR. PICKETT concluded by offering to answer questions from the committee.

[1:54:13 PM](#)

REPRESENTATIVE LINCOLN asked Mr. Pickett to briefly describe some of the projects that the \$900 million would cover.

MR. PICKETT answered that the RCA has "not really taken that into that much account," because it thinks an independent assessment of specific, cost-effective projects needs to be done. Nevertheless, he mentioned a project involving cable run from the Kenai Peninsula to the Beluga/Tyonek area, which he said is probably one of the single biggest components of that budget. He talked about an incorrect projection of savings that he read. He said, "It sort of laid out an optimal road map, if you wanted to maximize security and redundancy and reliability in the railbelt and not be subject to having one transmission line go down and having a big impact, this is one way you might do it; and ... that just sort of fell out of that."

[1:56:20 PM](#)

REPRESENTATIVE RAUSCHER referred to resolutions currently in the House, one to support a railway from Canada and one that would support money coming from the U.S. Department of Defense (DoD) to connect CVEA to GVEA and MEA. He surmised that the future holds "an interesting aspect here." He asked if CVEA is "advised of the talks going on."

MR. PICKETT recollected that in terms of filing, CVEA has not participated directly in the last four years; however, he said the RCA's process is open to the public. In response to a follow-up question, he said the RCA gives notice but does not extend specific invitations. He indicated that those on the mailing list, who actively participate are probably notified "more than they want to be many times." He indicated that CVEA is on the mailing list and does receive notice of any changes related to electric utilities.

REPRESENTATIVE RAUSCHER asked how important it is to the process going forward that all the utilities participate.

MR. PICKETT answered it is important "to promote the maximum cooperation with all of the entities impacted - ... not just the utilities - because this is a fairly significant change." He stated his belief that the reliability aspect is so important that the division will proceed with all statutory and regulatory authority "to keep moving the ball forward." He continued:

What is possible through legislation, however, is a structure that would be much more amenable and easier to work with for the utilities, for the commission, and for other parties, because if we have to distill everything down to a ... two-year, rule-making process every time we change reliability standards, I don't think anybody's going to be particularly happy with that approach.

[1:59:36 PM](#)

VICE CHAIR SPOHNHOLZ remarked that that would not be very practical. She then asked Mr. Pickett if he would submit his notes from his talking points to the committee for the benefit of the recording secretary.

CHAIR HOPKINS clarified that HB 151 deals with the generation infrastructure and trying to provide the lowest cost electricity to consumers along the railbelt and forcing utilities to work together toward those mandated standards. He mentioned different processes going forward simultaneously. He said he hopes to make clarifications to HB 151 during Interim, based on the feedback Mr. Pickett provided.

[HB 151 was held over.]

[2:01:33 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 2:01 p.m.