ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY
Fairbanks, Alaska
August 7, 2020
9:00 a.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative John Lincoln (via teleconference)
Representative Tiffany Zulkosky (via teleconference)
Representative George Rauscher (via teleconference)
Representative Mike Prax (via teleconference)

MEMBERS ABSENT

Representative Ivy Spohnholz, Vice Chair
Representative Zack Fields

OTHER LEGISLATORS PRESENT

Representative Bryce Edgmon (via teleconference)
Representative Kelly Merrick (via teleconference)
Representative Steve Thompson (via teleconference)
Senator Cathy Giessel (via teleconference)
Senator Elvi Gray-Jackson (via teleconference)

COMMITTEE CALENDAR

PRESENTATION(S): SB 123 IMPLEMENTATION BY THE RCA

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

BOB PICKETT, Commissioner/Chair
Regulatory Commission of Alaska (RCA)
Palmer, Alaska
POSITION STATEMENT: Provided a presentation on SB 123 Implementation by the RCA.

ANTONY SCOTT, Commissioner
Regulatory Commission of Alaska (RCA)

Anchorage, Alaska
POSITION STATEMENT: Provided information during the presentation on SB 123 Implementation by the RCA.

STEVE COLT, Ph.D., Research Professor
Alaska Center for Energy and Power (ACEP)
University of Alaska Fairbanks (UAF)
Anchorage, Alaska
POSITION STATEMENT: Provided a PowerPoint presentation, titled "SB 123 Opportunities for Alaska," dated 8/7/20.

SENATOR JOHN COGHILL
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Commented on the PowerPoint presentation, titled "SB 123 Opportunities for Alaska."

ACTION NARRATIVE

9:00:27 AM

CHAIR GRIER HOPKINS called the House Special Committee on Energy meeting to order at 9:00 a.m. Representatives Rauscher (via teleconference), Prax (via teleconference), Zulkosky (via teleconference), Lincoln (via teleconference), and Hopkins were present at the call to order. Also present (via teleconference) were Representatives Edgmon, Merrick, and Thompson and Senators Giessel and Gray-Jackson.

PRESENTATION(S): SB 123 Implementation by the RCA

9:03:14 AM

CHAIR HOPKINS announced that the only order of business would be a presentation on SB 123 Implementation by the Regulatory Commission of Alaska (RCA). He noted the governor signed the Railbelt Electrical Act into law in late spring 2020. The committee held many hearings on the companion bill, HB 151. He explained that today's hearing is for informational purposes only. He advised that today's presentation might be helpful to any committee member wishing to submit comments to the RCA as it continues the implementation process.

CHAIR HOPKINS introduced RCA commissioners Bob Pickett and Antony Scott. He related that Mr. Pickett was appointed to the RCA in 2008 by Governor Palin and has served five times as chair of the commission. In 2014 Governor Parnell appointed Mr.

Picket to a second term. Before his appointment to the RCA, Mr. Picket had more than 30 years of statewide experience in Alaska's housing industry, including 21 years at the Alaska Housing Finance Corporation (AHFC). Chair Hopkins related that Mr. Scott has served as chief economist to the RCA, as well as 12 years at the Department of Natural Resources as a commercial analyst, petroleum investment manager, and commercial manager working to maximize state benefits for oil and gas ownership. Between 2012 and 2015, while at the University of Alaska Fairbanks, Mr. Scott largely focused on electric utilities and challenges to product development and system innovation. In 2016, he began serving as director of programs and policy at Anchorage Municipal Light and Power. Governor Walker appointed Mr. Scott to the RCA in 2018.

9:06:58 AM

BOB PICKETT, Commissioner/Chair, Regulatory Commission of Alaska (RCA), noted that Governor Dunleavy appointed him to a third term earlier this year. He thanked the House and Senate members who have worked since 2014 to get to this point. He said SB 123 was passed by the legislature on 3/20/20. Signed into law on 4/29/20, it started the process for a very tight timeframe for rulemaking. The RCA must complete this process by July 1, 2021. On 4/15/20, the RCA at a public meeting began outlining a general approach and strategy for this rulemaking. The commission opened up the rulemaking docket and scheduled a technical conference on 6/3/20 to begin outlining some of the key issues. Staff summarized this technical conference at the RCA's public meeting on June 24.

MR. PICKETT said it became obvious at this point that separate proceedings needed to be opened to address the different components of SB 123 that required these new regulations. Commissioners voted to open three separate proceedings to address: 1) the rules and regulations governing the Electric Reliability Organization (ERO) board composition and competency requirements; 2) regulations regarding the integrated resource planning (IRP) activities of the ERO and project preapproval requirements for interconnected utilities seeking to construct large energy facilities; and 3) filing requirements applicable to the reliability standards and ERO rules. Commissioners voted to have staff present options at the public meeting in early July to focus the discussions at the July 29 technical conference in the first docket, R20 001, designed to further refine the ERO board composition and competency requirements. Timing considerations were part of the rationale for separating

it into three dockets. There has been an effort by the Railbelt Reliability Council to position itself as an applicant for ERO status. He said the RCA is hoping to have this rulemaking out for public comment early this fall so that the Department of Law (DOL) can look at it and regulations can hopefully be in place by the first of the year.

MR. PICKETT related that robust discussions took place at the July 29 technical conference concerning: composition of the board of directors; how to define independent boards; definition of a balanced board of directors; concerns, questions, and potential changes for the current composition of the Railbelt Reliability Council (RRC); and how descriptive or prescriptive the commission should get in the rulemaking process. The commission is still going through the results of the participation and is further refining for the coming public meeting in two weeks. Noting that Mr. Scott has been designated the docket manager, he turned to Mr. Scott to discuss the next two dockets.

9:11:49 AM

ANTONY SCOTT, Commissioner, Regulatory Commission of Alaska (RCA), said the RCA would be issuing an order sometime next week requesting interested persons to suggest topics for the first technical conference on integrated resource planning (IRP) and large project pre-approval regulations. Once the input is received, RCA will schedule the first technical conference to get input from interested persons on what those regulations should encompass and include.

MR. SCOTT explained that the docket was broken into three pieces because, in terms of the regulation process, once proposed regulations are noticed to the public, all of RCA's subsequent communications with parties need to be from the dais in either a formal hearing or written comments back to the commission. Technical conferences allow the RCA an opportunity to gather information and to engage in conversation on the record, but in a more liberal and freeform way, and this can be done up until the regulations have been noticed. The subject matter was broken into three pieces so the commission could provide guidance to potential applicants for the Railbelt as to what the minimum requirements would be to be an applicant so that the efforts of the RRC can be streamlined and conformance can be ensured with whatever the commission determines in that regard. Discussions haven't started yet regarding the hierarchy of large project pre-approval. The RCA is looking to get input on how to

scope that, and the first technical conference on that subject is expected to be sometime in September.

MR. SCOTT explained that the last regulations docket concerning the particular finding requirements around the liability standards, and detailed procedures around enforcement and things of that sort, will be voluminous and detailed, and the RCA won't get going on that until January 2021. The commission expects that to be a lengthy and involved proceeding but also something that doesn't need to get done right away in terms of letting the RRC folks get going to conform their efforts on whatever is decided by the commission.

MR. SCOTT clarified he doesn't speak for the RCA. Anything the commission ends up doing, he advised, will be the result of what the majority of the five commissioners decide makes sense.

9:16:48 AM

SENATOR COGHILL, Alaska State Legislature, inquired about the timeline of the ERO board composition.

MR. SCOTT answered that the commission is hoping to vote on direction for draft regulations towards the end of the month. The RCA will then probably have the administrative law judge assigned to this take the general direction the commission has indicated and turn that into more specific regulatory language. He said he is expecting notice of those draft regulations to occur in September.

9:18:48 AM

CHAIR HOPKINS offered his understanding that in the coming docket, the RCA isn't writing the integrated resource plan itself, rather just the rules and the structure for what that integrated resource plan is going to look like. He asked how that process is different from the IRP that Black & Veatch put together 10 years ago for the state.

MR. SCOTT replied that the regulations put together by the RCA would focus on the minimal requirements for what integrated resource plans should contain and processes for inclusion of input from the public. Ultimately what these regulations look like is yet to be determined, so he is telling his personal view of how he sees it. For regulations, the legislation requires the RCA to indicate the frequency with which integrated resource plans are updated. The Black & Veatch study was a one-off study

that took a global look at things, but there were no parties who were in position to act on or implement that study. The ERO will do a first study, and according to regulations will update that study on a Railbelt integrated basis periodically, but it has yet to be decided what those periods will be. The plan will have an implementation aspect because under the legislation any large project, which is defined in the legislation, will need to be approved by the RCA for its construction to proceed. That is something new in Alaska. The legislation specifies that any large project that is consistent with an integrated resource plan that has been developed by the ERO must be approved by the RCA unless there was overwhelming evidence that it no longer makes sense to build that project. There is an inherent implementation hook here in the planning process around what in the future gets built consistent with the plan, and that is an important distinction.

MR. SCOTT noted that to some, there are three primary differences with the Black & Veatch approach. The first is that the plan will be a collaborative effort developed by the utilities themselves, with a lot of input from the public and the non-utility stakeholders of the ERO. The second is that it will be updated on a periodic basis. The third is that it isn't a study that just sits on the shelf. The study will also be implemented by the relevant parties.

9:23:09 AM

CHAIR HOPKINS inquired whether the structure and framework being developed for the IRP would address transmission and generation or one over the other. He further inquired whether the state's future load and supply developments also would be addressed through the IRP that is being put together.

MR. SCOTT answered yes, the legislation indicates that the IRP will need to integrate both generation and transmission resources because to some degree those can be substituted one for another as well as demand-side resources. Unusual about this IRP compared to most other planning processes is that the legislation directs that planning occur across utility boundaries. Given there are many different entities in this interconnected grid and the grid is geographically large but with a small customer base, that kind of cross-utility planning is relatively unusual. So, yes, integration will be across generation and transmission resources, as well as demand-side resources, and integration across utility boundaries.

9:25:28 AM

SENATOR COGHILL asked whether ERO applications have been seen at this point.

MR. SCOTT replied no. He explained that the legislation sets out a timetable for when the RCA would receive an application for an ERO and that that really doesn't happen until it becomes fully effective, which is summer 2021. The legislature gave the RCA time to put together these regulations so that an applicant knows what they should be doing and can get their application together and then provide the fairly tight timeline by which they need to then subsequently apply. He said he doesn't expect the RCA to receive an applicant for the Railbelt ERO until next summer at the very earliest and maybe not until the beginning of the third quarter 2021.

9:26:59 AM

CHAIR HOPKINS requested that the committee be provided with a list of those dates and timelines for those next three dockets as far as the RCA currently has them available.

MR. SCOTT responded he could, but noted it is a pretty short list. He said the RCA doesn't presently have a publicly available list of technical conference and public meeting dates. The commission is task-driven rather than schedule-driven on this, so the RCA hasn't established those ahead of time. Basically the next meetings where the RCA announces what it is going to do tend to be piecemeal and one step ahead because it is just how the RCA is able to manage its workload. He said he would ensure that dates are forwarded to the committee.

9:29:15 AM

CHAIR HOPKINS introduced the next witness, Dr. Steve Colt of the Alaska Center for Energy and Power (ACEP). He noted Dr. Colt is a research professor of energy, economics, and policy at the University of Alaska Fairbanks. Dr. Colt is working primarily on the roles of prices, incentives, and energy policy in supporting and accelerating a shift toward a sustainable and resilient micro-grid and energy systems across Alaska. Prior to joining ACEP, Dr. Colt spent 34 years as an economist at the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage, where he served as director from 2007-2010. Dr. Colt has also worked for the public utility commissions in Maine and California.

9:30:11 AM

STEVE COLT, Ph.D., Research Professor, Alaska Center for Energy and Power (ACEP), University of Alaska Fairbanks, provided a PowerPoint presentation, titled "SB 123 Opportunities for Alaska," dated 8/7/20. He directed attention to slide 2, titled "Alaska Center for Energy & Power," and stated that ACEP's mission is to promote cost-effective energy solutions for Alaska. He moved to slide 3, titled "Some current ACEP Partners," and said ACEP has a network of partnerships. He stated that because ACEP prides itself on knowing what it doesn't know, it brings in those who do, so ACEP is delighted that the Regulatory Assistance Project (RAP) is with ACEP.

DR. COLT displayed slide 4, titled "What should RCA consider as it sets rules for reliability [standards] and integrated resource planning?" He explained he would phrase his thoughts as four questions, with the first question about reliability and the other three questions about integrated resource planning (IRP). He drew attention to slide 5, titled "1. How should Alaska's 'reliability' standards address 'resilience'?" He advised that this question is front and center in national and general discussions of reliability and is especially important to Alaska. The question in Alaska is, How should Alaska's reliability standards address the related question of resilience? When considering the question, he continued, [earthquakes, wildfires, transmission outages, and fuel supply cut-offs, all while cold and dark] are some obvious reasons why Alaska's grid may need to be reliable in a manner different from other grids. He turned to slide 6, titled "What should RCA consider when setting rules for IRP?" He said IRP came into vogue in the 1980s, so he considers it to be a Twentieth Century beast that needs to be adapted for the Twenty-First Century and for Alaska. [The questions listed on the slide ask: What is a resource? How can we integrate? What is planning?]

DR. COLT addressed slides 7, 8, and 9. He brought attention to slide 7 and recommended that the first question the RCA must think hard about is: What is a resource? In the Twentieth Century version of the IRP, he continued, the focus was on generation, rightly so, and the Twentieth Century IRP did a good job of helping to broaden the mix of generation. Moving to slide 8, he suggested that in the Twenty-First Century the IRP process has already evolved to recognize transmission, distribution, and most recently storage, as critical resources that need to be considered. But it needs to go further, he

advised. Displaying slide 9, he pointed out that loads are the latest center stage resource. Loads are coming into their own as flexible resources that can provide storage, a beneficial use that helps the customer, the ratepayer, and the grid. Key with flexible loads is that they must be networked into the system and somehow under some control of the utilities for the good of the system. He emphasized that control can be direct along with indirect via prices, incentives, and information.

9:36:02 AM

DR. COLT moved to slide 10, titled "In other words," and stated that it might be said, "It's the network, stupid!" He explained that any resource that helps the network do its job better ought to be considered in the IRP process.

DR. COLT showed slide 11, titled "1. What is a resource..."? He stated he thinks it is critical to recognize that people are really the most important resource in this whole challenge. People have always made the decisions that determine the electric loads that utilities are driven to meet. Going forward people will become even more important actors in forming and using the grid. They will be acting as consumers and ratepayers, as well as energy producers, buyers, business people, sellers, and stewards of electric energy. He suggested that an electric vehicle owner might best illustrate that new idea of the person acting in multiple roles with respect a robust grid.

DR. COLT drew attention to slide 12, titled "2. How do we integrate resources?" He suggested that the Twentieth Century version of the IRP focused firmly on quantities – what to build, when, and where. The term of art in those days was, and to some extent still is, the capacity expansion plan. That was a good start, he said, but economists are continually debating about whether a focus on quantities is the right way to organize the economy, or whether to focus equally or more on prices. He moved to slide 13, titled "2. How can we integrate resources?" He suggested that the IRP process, which is going to be formed here, can and should focus on prices. Through this process discussions can take place to consider rules for encouraging incentives, markets, and mechanisms to empower people to act to build out, operate, and use the grid. He pointed out photos on the slide that depict electric vehicle owners, wind turbines built by a Native corporation, entrepreneurs, and how prices are being used by another utility to motivate behavior that benefits the load and the grid.

DR. COLT spoke to slides 14 and 15, titled "3. What is [integrated resource] Planning?" Showing slide 14, he highlighted the difference between a plan and the process. He noted that the slide depicts snippets from the 2010 Black & Veatch plan. The slide may or may not be a caricature of the Black & Veatch plan, he allowed, but it became "a plan to build stuff." He explained that the famous singer, Peggy Lee, depicted on the slide is singing her song that asks, "Is that all there is?"

DR. COLT displayed slide 15 and advised that planning needs to be "a lot more than just a plan to build more stuff." He suggested that planning could be something that: is an ongoing, transparent process; is iterative and adaptive; looks for shared goals using shared data; develops effective mechanisms to achieve goals; provides criteria for assessing specific projects and schemes; and keeps people front and center at all times.

DR. COLT concluded his presentation with slide 16, titled "Regulatory Assistance Project". He stated that RAP is no stranger to Alaska and that David Farnsworth was a lead author of a very good report titled "Sustainable Energy Solutions for Rural Alaska" which summarized the challenges off the road system. Just weeks ago Mr. Farnsworth and his RAP colleague Mark LeBel participated in the Alaska electric vehicle virtual workshop that was cohosted by ACEP and the U.S. Arctic Research Commission. He said ACEP reached out to RAP because the people at RAP "really do know their stuff" and he "is eager to hear from them."

9:42:30 AM

SENATOR GIESSEL offered her appreciation for Dr. Colt's emphasis that this is about people.

CHAIR HOPKINS followed up on this being about people as opposed to infrastructure. He asked how Dr. Colt sees that process playing out in terms of flexibility going into the future as this is implemented, as opposed to "this is a plan for building things." He further inquired about how much flexibility should be needed going forward given there isn't much redundancy in Alaska and things might change in the future.

DR. COLT replied that it is a great question, but he doesn't have a great answer. He specified that one way this could play out with emphasis on people is that the IRP playing process

could be directed by the rule, which is what is really being talked about today. It could be directed to encourage or even require some ongoing process of what entrepreneurs call customer discovery - some way of finding out what people want from their electric grid and what they are willing to pay for - and using this to build out beneficial loads. Dr. Colt said these could be things that can't be foreseen clearly now, but he thinks the electric vehicle (EV) is poster child number one for this idea. There is a lot of talk about EVs but precious little data about whether people really are willing to adopt them in numbers. Another idea, Dr. Colt suggested, is that the IRP process could somehow include or embody what has come to be known in other jurisdictions as the regulatory sandbox. It's sort of a regulatory space where utilities are encouraged to innovate, try pilot projects, and to experiment without having to do a rate filing every time they want to try helping people to install a Tesla power wall in their house for resilience after an earthquake, for example. He deferred to RAP to answer further.

9:46:00 AM

SENATOR COGHILL recounted that throughout the process of SB 123 it was highlighted that the RCA truly is a consumer protection agency because so many places are being dealt with that are kind of monopolistic. The whole idea of having an IRP, a reliability organization, was to start thinking about the whole system with regard to the ratepayer, instead of the individual utilities. It is a new thought process, he said, so he appreciates Dr. Colt's comments because that was the goal.

9:47:58 AM

CHAIR HOPKINS introduced the next presenters, Michael Hogan and David Farnsworth, representing the Regulatory Assistance Project (RAP). He explained that RAP is an independent, nonpartisan, nongovernmental organization composed of former utility and environmental regulators, industry executives, system operators, and other officials with extensive experience in the power sector. The RAP team focuses on the world's four largest power markets responsible for half of the global power generation, including China, Europe, India, and the U.S.

CHAIR HOPKINS related that Mr. Hogan has been a senior advisor to RAP since 2010 in the power industry's de-carbonization in the areas of wholesale market design as demand response and system integration of intermittent supply. Mr. Hogan previously directed the European Climate Foundation's (ECF) power program

and the ECF's landmark roadmap 2050 de-carbonization study. In 18 years in the private power industry Mr. Hogan was responsible for development, financing, acquisition, and operations for tens of thousands of megawatts of generation from independent power plants on four continents. He began his career in power systems marketing with General Electric (GE) and earned degrees in business, engineering, and management from Harvard, MIT, and University of Notre Dame. Today Mr. Hogan will provide a presentation on wholesale power system reliability, metrics that are appropriate for assessing system readiness, and mechanisms for ensuring delivery at lowest reasonable cost, as well as provide a brief description of best practices in the use of integrated resource planning to assist in delivering reliability with integration of variable renewables.

[Mr. Hogan and Mr. Farnsworth were not available due to technical difficulties.]

9:51:00 AM

The committee took an at-ease from 9:51 a.m. to 10:00 a.m.

10:00:51 AM

CHAIR HOPKINS called for another 5-minute break for "technical issues" [waiting for presenters from RAP to call in].

10:00:55 AM

The committee took an at-ease from 10:01 a.m. to 10:07 a.m.

10:07:50 AM

CHAIR HOPKINS explained he would have to recess the meeting due to technical difficulties.

10:08:36 AM

ADJOURNMENT

The House Special Committee on Energy meeting was recessed to the call of the chair at 10:08 a.m. [The meeting was reconvened on 8/14/20, at 9:00 a.m.]