

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 4, 2020

1:04 p.m.

**MEMBERS PRESENT**

Representative John Lincoln, Co-Chair  
Representative Geran Tarr, Co-Chair  
Representative Grier Hopkins, Vice Chair  
Representative Sara Hannan  
Representative Chris Tuck  
Representative Ivy Spohnholz  
Representative Dave Talerico  
Representative George Rauscher  
Representative Sara Rasmussen

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

PRESENTATION(S): THE STATE OF ALASKA'S UNSUNG ECONOMIC  
POWERHOUSE

- HEARD

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
05/09/19	(H)	Heard & Held
05/09/19	(H)	MINUTE(ENE)
01/23/20	(H)	ENE AT 10:15 AM CAPITOL 17

01/23/20 (H) Heard & Held  
 01/23/20 (H) MINUTE(ENE)  
 01/27/20 (H) ENE AT 3:30 PM SENATE FINANCE 532  
 01/27/20 (H) Heard & Held  
 01/27/20 (H) MINUTE(ENE)  
 01/29/20 (H) ENE AT 3:30 PM SENATE FINANCE 532  
 01/29/20 (H) Heard & Held  
 01/29/20 (H) MINUTE(ENE)  
 02/11/20 (H) ENE AT 10:15 AM CAPITOL 17  
 02/11/20 (H) Heard & Held  
 02/11/20 (H) MINUTE(ENE)  
 02/20/20 (H) ENE AT 10:15 AM CAPITOL 17  
 02/20/20 (H) Heard & Held  
 02/20/20 (H) MINUTE(ENE)  
 02/25/20 (H) ENE AT 10:15 AM CAPITOL 17  
 02/25/20 (H) Moved CSHB 151(ENE) Out of Committee  
 02/25/20 (H) MINUTE(ENE)  
 02/26/20 (H) ENE RPT CS(ENE) NT 5DP 1NR  
 02/26/20 (H) DP: RAUSCHER, FIELDS, SPOHNHOLZ,  
 ZULKOSKY, HOPKINS  
  
 02/26/20 (H) NR: PRUITT  
 02/26/20 (H) LETTER OF INTENT WITH ENE REPORT  
 03/04/20 (H) RES AT 1:00 PM BARNES 124

**WITNESS REGISTER**

LEE HART, Founder  
 Alaska Outdoor Alliance  
 Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation  
 entitled, "Outdoor Recreation: Alaska's Unsung Economic  
 Powerhouse," dated 3/2-6/20.

DON STRIKER, Acting Regional Director  
 National Park Service  
 Superintendent, Denali National Park and Preserve  
 National Park Service  
 U.S. Department of the Interior  
 Denali Park, Alaska

**POSITION STATEMENT:** Provided comments during the presentation  
 by the Alaska Outdoor Alliance.

DAN KIRKWOOD, General Manager  
 Pack Creek Bear Tours  
 Co-Chair, Juneau Economic Development Council Visitor Products  
 Cluster Working Group  
 Juneau, Alaska

**POSITION STATEMENT:** Provided comments during the presentation by the Alaska Outdoor Alliance.

MICHELE STEVENS, President  
Petersville Community Non-Profit  
Ambassador, Alaska Outdoor Alliance  
Petersville, Alaska

**POSITION STATEMENT:** Provided comments during the presentation by the Alaska Outdoor Alliance.

CHRIS BECK, Board Member  
Alaska Trails  
Anchorage, Alaska

**POSITION STATEMENT:** Provided comments during the presentation by the Alaska Outdoor Alliance.

DIANA RHOADES  
Anchorage Park Foundation  
Anchorage, Alaska

**POSITION STATEMENT:** Provided comments during the presentation by the Alaska Outdoor Alliance.

JEN LEAHY,  
Theodore Roosevelt Conservation Partnership  
Seward, Alaska

**POSITION STATEMENT:** Provided comments during the presentation by the Alaska Outdoor Alliance.

TERESA WHIPPLE, Bear Guide  
Bear Viewing Tour Companies of Southcentral Alaska  
Juneau, Alaska

**POSITION STATEMENT:** Provided comments during the presentation by the Alaska Outdoor Alliance.

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

**POSITION STATEMENT:** provided a PowerPoint presentation entitled, "HB 151: Electric Reliability Organizations," on behalf of Representative Hopkins, prime sponsor of HB 151.

ANTONY SCOTT, PhD, Commissioner  
Regulatory Commission of Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation, entitled "HB 151," dated 3/4/20, and answered questions from the committee.

**ACTION NARRATIVE**

[1:04:07 PM](#)

**CO-CHAIR JOHN LINCOLN** called the House Resources Standing Committee meeting to order at 1:04 p.m. Representatives Tuck, Hannan, Talerico, Rauscher, Rasmussen, Hopkins, Tarr, and Lincoln were present at the call to order. Representative Spohnholz arrived as the meeting was in progress.

**PRESENTATION(S): The State of Alaska's Unsung Economic Powerhouse**

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CO-CHAIR LINCOLN announced the first order of business would be a presentation by the Alaska Outdoor Alliance.

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LEE HART, Founder, Alaska Outdoor Alliance (AOA), informed the committee that today's presentation would discuss strengthening Alaska's economy, stimulating rural economic development, and improving daily life through outdoor recreation. She directed attention to a PowerPoint presentation entitled, "Outdoor Recreation: Alaska's Unsung Economic Powerhouse." Slide 2 illustrated Alaska's outdoor recreation economy by the numbers: outdoor recreation spending in Alaska contributes \$3.2 billion to the economy; outdoor recreation accounts for 4.2 percent of state GDP, making Alaska the seventh largest outdoor recreation economy in the U.S.; and from 2012 to 2017, Alaska's outdoor recreation economy grew 19 percent, while the state GDP decreased by 9 percent. Slide 3 addressed the lucrative sectors of the outdoor recreation economy. Ms. Hart opined that better data and an inventory of assets would be required to build a decision-making framework for investing state resources towards Alaska's outdoor recreation sectors. She reasoned that outdoor recreation has a proven capacity to deliver jobs, attract visitors, and bring cash into Alaska's businesses and communities. Slide 4 was a graphic of organizations that support AOA's efforts and slide 5 listed AOA's delegation.

[1:10:45 PM](#)

DON STRIKER, Acting Regional Director, National Park Service; Superintendent, Denali National Park and Preserve, National Park Service (NPS), U.S. Department of the Interior, noted that NPS is a \$2 billion dollar industry with 3 million visitors. He shared his interest in integrating community and park. He thanked the committee for its work on HJR 25 [Ensure Access into Denali Park] and anecdotally indicated the importance and potential benefits of South Denali. He shared a personal anecdote about state and federal collaboration for the park service in West Virginia.

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MR. STRIKER continued to speak of the West Virginia New River Gorge National River project that brought in \$0.5 billion in private investment. He alluded to strife between the state of Alaska and NPS in Denali and questioned the issue of federal overreach. He suggested using Denali's brand to leverage collective opportunities in the outdoor recreation sector to support the state's economy.

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DAN KIRKWOOD, General Manager, Pack Creek Bear Tours; Co-Chair, Juneau Economic Development Council Visitor Product Cluster Working Group, explained that at the core of the outdoor recreation economy is infrastructure and natural resources, such as public lands, trails, and access points, which are economic opportunities that need attention. He noted that the diversity of opportunities in Alaska generates a diverse array of businesses across the state, including cruise lines, independently owned companies, hunting and fishing outfits, and lodges. He pointed out that Alaska has one of the world's most recognized brands, which is the state's competitive advantage.

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CO-CHAIR TARR asked for further explanation of the Juneau Economic Development Council Visitor Product Cluster Working Group.

MR. KIRKWOOD explained that the Visitor Product Cluster Working Group is a business-led group that focuses on collaborative strategies for success in the visitor industry; specific projects include Mendenhall Glacier Visitor Center permits and improving access for the U.S. Forest Service throughout

Southeast Alaska. He noted that the participation of the Forest Service has been a valuable addition to the group and emphasized the educational benefits of collaboration.

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MICHELE STEVENS, President, Petersville Community Non-profit; Ambassador, Alaska Outdoor Alliance, informed the committee that the Snowmobile Trails Advisory Council (SnowTRAC) was established under Title 41 [Public Resources] in 1997 with the mission to fairly represent all Alaskans by advising the Division of Parks and Outdoor Recreation on snowmobile issues, such as funding, safety, registration, education, access, trail grooming, marking, development, and maintenance. The SnowTRAC program was intended to support local communities in the winter economy. Since inception, the intent was for the Division of Motor Vehicles (DMV) to collect snowmobile and off-highway vehicle registration fees and transfer them to the Division of Parks and Outdoor Recreation to establish a state snowmobile advisory board, as well as to fund trail grooming, snowmobile education, and safety projects. She clarified that the SnowTRAC program is funded through a self-imposed user tax. She explained that the program is self-sustained by reoccurring registration fees collected by DMV and point of sale (POS) registration fees collected by snow machine dealers at the time of purchase. Ms. Stevens remarked that after years of clearing, surveying, and mapping trails, SnowTRAC has been a success. The ease and safety of the trail system has allowed people to safely arrive at remote cabins; buy and haul fuel and supplies; and purchase land and build cabins. She noted that over the past seven years, SnowTRAC has seen a decline in funding, largely because registration is not enforced. She reported that funding has dropped from an annual \$250,000 to \$150,000 this year.

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MS. STEVENS continued to explain that HB 23 was introduced to help revive SnowTRAC. HB 23 proposes an increase in annual snowmobile registration fees from \$5 to \$10. She remarked that winter tourism is on the rise with snowmobilers spending hundreds of thousands of dollars in Alaska's winter economy. She reported that on average, a single snowmobiler spends \$50,000 in one season. Furthermore, a 2017 study by Earth Economics found that for every \$1 spent on public open space in the Matanuska-Susitna (Mat-Su) Borough, there was a \$5.31 return on that investment. She further noted that the signs, maps, and groomed trails have helped keep Alaska Search and Rescue costs

to a minimum, as first responders have expedient access to the back country. In closing, she articulated that SnowTRAC saves lives, promotes safety, stimulates the economy, and creates jobs. If the program ceases to continue, she said, it will devastate businesses, clubs, and outdoor activities in Southcentral Alaska, including lodges, snowmobile dealers, dog mushing events, even the Iditarod.

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REPRESENTATIVE TUCK surmised that snowmobile is the same as snow machine.

MS. STEVENS confirmed that.

[1:32:29 PM](#)

REPRESENTATIVE HANNAN noted that in last year's budget, not all the registration fees collected by DMV were transferred to SnowTRAC.

MS. STEVENS explained that the governor took the SnowTRAC program out of the budget last year, as well as this year. She said the program was reinstated in the budget last year; however, it's been overlooked this year. She offered her understanding that it would be included in the capital budget.

REPRESENTATIVE HANNAN inquired as to the source of that information.

MS. STEVENS declined to share her source. She expressed her interest in creating a statewide snow machine association that could address communities with specific needs.

REPRESENTATIVE RASMUSSEN questioned whether increasing the registration fee from \$5 to \$10 would disincentivize people from registering.

MS. STEVENS shared her belief that a lack of registration enforcement is the foremost reason SnowTRAC funding has declined. She said many ideas were considered, including a one-time registration fee of \$150; however, she opined that raising the annual fee to \$10 would be a better solution.

MS. HART explained that some riders are concerned that the fees get misappropriated. She recommended "turning that dotted line

from DMV to DNR into a solid line and increasing that assurance."

REPRESENTATIVE RASMUSSEN cautioned against a one-time fee for funding purposes, adding that it's "overly optimistic."

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CHRIS BECK, Board Member, Alaska Trails, directed attention to a document, entitled "Alaska Trails Initiative" [included in the committee packet]. He said today he would discuss three subjects: the opportunity that outdoor recreation and trails provide; the potential benefits; and how to take advantage of those opportunities and benefits. He pointed out that the state has never systematically considered how to take advantage of its outdoor resources for economic gain, better quality of life, and maintenance. He remarked that if half of Alaska's out-of-state visitors would stay one extra day, it would result in \$137 million in additional revenue. He reported the average stay in Alaska is 9 days, whereas in New Zealand, the average stay is 19 days. The distinguishing factor in New Zealand, he said, is they have "phenomenal" outdoor recreation opportunities, such as trails, huts, bike routes, marketing, and management. He turned attention to several examples of potentially profitable "doable near-term projects" illustrated on page 2 of the document. He said Alaska is sitting on opportunities; however, leadership and funding are needed. He noted that there are federal funding opportunities that the state has elected to decline receipt authority for, including the Land and Water Conservation Fund (LWCF), which would offer \$2 million to Alaska at 50 percent match. He also suggested a general obligation bond, which could provide investments that offer a dramatic return on investment. He expressed his interest in working with the state to take advantage of these existing opportunities.

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REPRESENTATIVE RASMUSSEN questioned whether park and trail users would be open to paying increased fees for parking lots or other user fees.

MS. HART said state parks already have automated fee stations; however, enforcement remains to be an issue. She added that in her experience, fee increases are usually met with angst. She opined that collecting the existing fees at parks should be the priority matter.

REPRESENTATIVE SPOHNHOLZ observed that it's not just collecting the fees but making them easier to pay. She suggested that digital collection would make it easier to buy year around passes for regular trail and park users.

MS. HART acknowledged that the ease of payment is also an issue. She said electronic and solar-powered fee stations help increase revenues.

MR. BECK recommended making the link between user fees and benefits explicit. He opined that people are suspicious of how that money gets used. He indicated the solution is combination between technical solutions and educating users.

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DIANA RHOADES, Anchorage Park Foundation, explained that the Anchorage Park Foundation is the nonprofit partner to Anchorage Parks and Recreation and fundraises to supplement federal, state and local funding to support parks and trails. She shared a personal anecdote about the municipality of Anchorage choosing to put a parks and recreation bond package on the ballot every year. She explained that at the inception of the foundation, the ballot measure wasn't passing; however, after four years of educating the public through an advocacy partner, the last 10 of 13 park bond measures have passed. This year, Anchorage residents will see their property taxes increased by \$1.65 for \$4 million worth of park and trail improvements, thus indicating that in Anchorage, people are willing to pay for parks and recreation. She offered her understanding that in 2012, statewide general obligation bonds were authorized. She said sometimes, a statewide or federal approach is necessary. She stated that destination cities should have destination trails to attract investment and attain a quality workforce for the community. Additionally, she noted that the Anchorage Assembly passed a resolution for the federal government to increase funding for the Recreational Trails Program and the Alternative Transportation Program. She further noted that the reauthorization of the federal transportation bill is occurring. She urged Alaska's leaders to request for increased funding through such programs.

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REPRESENTATIVE RASMUSSEN asked which Anchorage intersection would require a bridge.

MS. RHOADES said the intersection at Lake Otis Parkway and Tudor Road.

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JEN LEAHY, Theodore Roosevelt Conservation Partnership (TRCP), explained that the organization's mission is to guarantee all Americans quality places to hunt and fish - primarily by working to shape federal policy that benefits the outdoor recreation community. She noted that TRCP is nonpartisan and highly collaborative, adding that the organization is growing its capacity in Alaska to help support federal land management efforts. She reported that Alaska Department of Fish & Game (ADF&G) commissioned a study to determine the economic importance of wildlife in Alaska. She highlighted that in 2011, residents spent \$3.4 billion on hunting and wildlife viewing activities, which in turn, generated \$4.1 billion in economic activity throughout the state. Additionally, wildlife dependent recreation generated 28,000 jobs, \$1.4 billion in labor income, and more than \$340 million in government revenue. In recent years, the charter industry alone generated more than \$165 million annually in Southeast and Southcentral Alaska, she said. She stated that economic activity is dependent on public access to lands, healthy wildlife habitat, and healthy fisheries, which is why adequate funding for conservation is important. She explained that hunters and anglers drive spending in local communities and fund conservation through excise taxes and license purchases. She said utilizing federal funds that support wildlife and fish restoration is one way to maintain a strong outdoor recreation sector. Alaska receives more federal money through the Pittman-Robertson Act and the Dingell-Johnson Act than any other state besides Texas. She said at \$50 million a year, these funds are administered by ADF&G to pay for hunter education programs, hunter and public information services, refuges, special management areas, wildlife health, and disease surveillance; however, the state is required to contribute a 25 percent match - typically covered through the purchase of hunting and fishing licenses - in order for ADF&G to receive the funds. She said maintaining conservation programs are essential for Alaska's outdoor industry.

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TERESA WHIPPLE, Bear Guide, Bear Viewing Tour Companies of Southcentral Alaska, highlighted the high-quality bear habitat that exists in Alaska. She noted that Alaska hosts the largest and densest concentration of brown bear in the entire world.

She explained that as competing uses in these natural environments grows, it's critical to consider the economic and societal benefits of commercial bear viewing as an outdoor recreation activity. She reported that in 2017, bear viewing companies reported over \$34 million in sales in the Lake Clark, Katmai National Park and Preserve, and McNeil River areas. Furthermore, over 70 percent of Alaska's visitors come with the goal of viewing or photographing a wild bear.

CO-CHAIR LINCOLN asked if the bear guides are equipped with protection.

MS. WHIPPLE explained that the best deterrent is voice and body language, adding that she does not carry a firearm. She said she defers to company policy, as each company outlines a different policy depending on the area that they preside in. She said she typically depends on bear spray or a bear flare.

CO-CHAIR LINCOLN sought to clarify whether anyone in the group carries a firearm.

MS. WHIPPLE said not typically, unless when operating in polar bear country because it's protocol for arctic viewing guides to carry a firearm.

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MS. HART urged the legislature to open the doors for the outdoor recreation economy; additionally, to balance the budget and create funding formulas to allow for time to focus on other priorities that help make Alaska great. She expressed interest in catching up on the \$60 million deferred state parks budget and to begin budgeting on capital improvements. She urged for receipt authority and to match funds from the federal government to bring critical dollars to habitat restoration, access, and restoration development. She requested a state report that quantifies an "apples to apples" comparison from a trusted state source. Finally, she counseled the legislators to expand their minds and definitions of resource development and recommended that outdoor recreation be part of the resource development formula in Alaska. Lastly, she reminded the committee that the outdoor recreation sector also has infrastructure needs that would motivate residents and welcome visitors.

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The committee took an at-ease from 2:06 p.m. to 2:09 p.m.

## HB 151-ELECTRIC RELIABILITY ORGANIZATIONS

[2:09:19 PM](#)

CO-CHAIR LINCOLN announced the final order of business would be CS FOR HOUSE BILL NO. 151(ENE), "An Act relating to the creation and regulation of electric reliability organizations; relating to participation of electric utilities in electric reliability organizations; relating to duties of electric reliability organizations; providing for integrated resource planning; requiring project preapproval for certain interconnected large energy facilities; and providing for an effective date."

[Before the committee was CSHB 151(ENE), Version G, reported out of the House Special Committee on Energy and referred to the House Resources Standing Committee on 2/26/20.]

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REPRESENTATIVE HOPKINS, prime sponsor, introduced HB 151. He paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

In the 2014 capital budget, the Legislature requested that the Regulatory Commission of Alaska examine how to best foster "effective and efficient electrical transmission" among the six interconnected electrical utilities of Alaska's Railbelt. The RCA's recommendations included the formation of an Electric Reliability Organization, an independent entity that would create and enforce reliability standards and an integrated resource plan for the interconnected utilities.

The RCA crafted proposed legislative language which was put out for public comment. Utilities, power producers, municipal leaders, consumer advocates, and rate payers all provided input and feedback, helping to hone language to move Alaska's interconnected electric utilities towards greater cooperation and resource-sharing. Within the last six months, the Railbelt utilities have signed a Memorandum of Understanding establishing the reliability organization envisioned by this legislation - demonstrating their willingness to work together on

future planning, reliability, and transmission standards.

The RCA, in updating the Legislature on the utilities' progress, has recommended statutory changes that would affirm the RCA's authority to regulate a reliability organization; define the basic structure, responsibilities, and authorities of a reliability organization; and empower the RCA to require pre-approval of large generation and transmission projects undertaken by utilities that are part of an interconnected network. House Bill 151 reflects these recommendations and, if enacted, would support the utilities' voluntary work to date.

Fostering greater cooperation will help ensure ratepayers from Fairbanks to Homer will ultimately benefit from the efficient and effective operation of the Railbelt electric system.

REPRESENTATIVE HOPKINS noted that HB 151, Version G, was referred from the House Special Committee on Energy and is identical to its companion bill in the Senate, SB 123. He explained that the committee revised the bill to balance the interests of stakeholders, including the Regulatory Commission of Alaska (RCA).

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JOE HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, on behalf of Representative Hopkins, prime sponsor of HB 151, provided a PowerPoint presentation entitled, "HB 151: Electric Reliability Organizations." Slide 2 provided context for the bill with a timeline of events that led to the creation of HB 151, SB 123 and the coinciding formation of an Electric Reliability Organization (ERO). The legislation's overall goal is to improve reliability, security and efficiencies, resulting in long-term savings to ratepayers. Slide 3 summarized the sectional analysis [provided in the committee packet], which read in its entirety as follows [original punctuation provided]:

House Bill 151 authorizes the Regulatory Commission of Alaska (RCA) to require and manage electric reliability organizations (EROs) for interconnected power networks. The legislation defines participation in an ERO, as well as the requirements,

responsibilities, and oversight of an organization. The ERO will be responsible for establishing reliability standards and conducting integrated resource planning for the interconnected network. Large new projects in an ERO network will require pre-approval by the RCA.

**Section 1:** Adds a new article and sections to AS 42.05, Alaska Public Utilities Regulatory Act.

**New Section 42.05.760: Electric reliability organizations**

Defines participation in an ERO, including application to become an ERO; exemptions from the requirement to have an ERO; and RCA certification of EROs.

**New Section 42.05.762: Duties of an electric reliability organization**

Describes the duties of an ERO, which the RCA will consider when deciding whether to certificate an ERO.

**New Section 42.05.765: Reliability standards**

Describes the process for establishing reliability standards, including the content of standards and conflict resolution.

**New Section 42.05.767: Rules**

Requires the ERO to file its internal rules of operation and governance with the RCA and gives the RCA oversight of an ERO's rules.

**New Section 42.05.770: Regulations**

Directs the RCA to write regulations addressing EROs and reliability standards. Mandates regulations to require an ERO tariff include standards for nondiscriminatory open access transmission and interconnection, and for a method of recovering transmission system costs. Regulations must also articulate a process for resolving conflicts between standards and other obligations and allow an ERO to recover its operational costs through the rates of each load-serving entity.

**New Section 42.05.772: Duties of load-serving entities**

Subjects all load-serving entities in a network, including those that are not subject to RCA regulation, to an ERO's tariff.

**New Section 42.05.775: Penalties**

Enables the ERO and the RCA to enforce compliance with reliability standards among everyone connected to a network with an ERO. Proscribes a process for imposing and appealing penalties. Requires that penalties be commensurate with the seriousness of a violation.

**New Section 42.05.780: Integrated resource planning**

Tasks an ERO with integrated resource planning, articulates required contents of a plan, provides a process for RCA approval of a plan, addresses recovery of costs associated with a plan, and requires the RCA to write regulations related to a plan.

**New Section 42.05.785: Project preapproval for large energy facilities**

Requires and sets standards for RCA pre-approval for large new projects proposed by a utility in a network with an ERO. Offers a presumption of necessity for projects that were included in an integrated resource plan and supplies a backstop for the RCA to overcome that presumption if necessary. Exempts certain projects from the need for pre-approval, directs the RCA to write regulations related to pre-approval, and defines the type of projects that are subject to preapproval.

**New Section 42.05.790: Definitions**

Defines seven terms within the new article for electric reliability organizations: cybersecurity incident, electric reliability organization, electric utility, interconnected bulk-electric system, interconnected electric energy transmission network, load serving entity, and reliable operation.

**Section 2:** Adds a new section to uncodified law requiring the RCA to adopt regulations implementing the bill. The regulations will take effect on the effective date of the bill (July 1, 2021, per Section 4)

**Section 3:** Sets an immediate effective date for Section 2, enabling the RCA to proceed with writing regulations implementing the bill.

**Section 4:** Sets an effective date of July 1, 2021, for all other sections

MR. HARDENBROOK directed attention to slide 5, which addressed ERO participation. Slide 5 read as follows:

- Interconnected networks must have an ERO (some exceptions)
- Public utilities in the network must participate in the ERO
- All users, owners, operators in the network must comply with reliability standards set by the ERO
- Railbelt primary need; legislation has general applicability
- 'Release valves' to accommodate future

MR. HARDENBROOK, referencing the last bullet point, noted that several 'release valves' were included in the legislation to accommodate future expansion or development in Alaska; for example, "if all load serving entities petition the RCA, the RCA may grant a waiver for forming an ERO in the future; and also, the inverse, if you have a network but not quite a system and you want an ERO, utilities can petition the RCA to form one."

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MR. HARDENBROOK turned attention to slide 5, which highlighted the process for forming an ERO: interested players form an organization; the organization applies to the RCA; RCA evaluates and certifies the organization as an ERO; one ERO per network; if no one applies, the RCA shall form an ERO. Slide 6 illustrated the ERO framework required under HB 151: governed by an independent, balanced board, or a combination thereof; open, inclusive processes; balance interests of utilities and stakeholders; develop standards and integrated resource plans for the Railbelt. He noted that an ERO is required to file

rules and changes with the RCA, as specified on page 5 of the bill. Slides 7 and 8 listed ERO responsibilities, as follows:

- RCA delegates certain work to the ERO
- RCA maintains oversight, authority, assigns tasks to ERO
- Bottom-up approach from the network players who know best
- ERO sets and enforces reliability standards
- ERO develops integrated resource plan
- Reliability standards for the network
  - Subject to RCA approval
  - ERO to enforce standards, RCA back-up
  - ERO or RCA can penalize violations
  - Conflict resolution
- Integrated resource planning for the network
  - How to meet needs at greatest value, consistent with public interest
  - Subject to RCA approval
  - Items in an approved plan are 'necessary'

MR. HARDENBROOK noted that there is a caveat that allows Doyon Utilities to follow U.S. Department of Defense reliability standards when serving military installations if they conflict with state regulations put forwards by the RCA.

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REPRESENTATIVE TUCK asked for the current number of networks and EROs in Alaska.

MR. HARDENBROOK said the RCA anticipates the Railbelt to be the only interconnected network system that would benefit from an ERO. He noted that there are specific "carveouts" for some interconnected utilities in Southeast Alaska; for example, the Southeast Alaska Power [Agency] (SEAPA) is established by statute and exempted from RCA oversight.

REPRESENTATIVE TUCK questioned whether an ERO can exist within an ERO.

MR. HARDENBROOK said according to the legislation, each interconnected network would be served by one ERO.

REPRESENTATIVE TUCK asked whether Doyon Utilities provides its own power generation.

MR. HARDENBROOK offered his understanding that Doyon Utilities manages the coal-fired power plants at Eielson Air force Base and Fort Wainwright. He explained that Doyon Utilities produces its own power and is interconnected to the grid; however, the exemption allows them to comply with USDOD standards. He further noted that the University of Alaska (UA) also maintains independent power generation and is interconnected to the grid, but UA is required to comply with the legislature's reliability standards.

REPRESENTATIVE HANNAN asked whether all Railbelt utilities are members of the working group.

MR. HARDENBROOK answered yes, all six interconnected electrical utilities are members of the organizational development team and helped craft the legislation.

REPRESENTATIVE HANNAN sought clarification as to whether there are independent utilities that are within the same geographic area but are not interconnected.

MR. HARDENBROOK said that Doyon Utilities, for example, is interconnected and is not considered a public utility or subject to RCA regulation.

REPRESENTATIVE HANNAN returned attention to slide 8 and surmised that large, new projects already require [RCA] approval.

MR. HARDENBROOK offered his understanding that, currently, if a utility proposes a large-scale project that is approved by its board, it can move forward.

REPRESENTATIVE HOPKINS added that \$1.5 billion in new generation infrastructure has been built on Alaska's Railbelt in the last 10 years.

MR. HARDENBROOK resumed his presentation on Slide 9, which addressed project pre-approval. Slide 9 read as follows:

- For large new generation and transmission
- Protects utilities and ratepayers
- Certifies necessity and cost-effectiveness
- Presumption for projects in an integrated resource plan
- Some exemptions

MR. HARDENBROOK informed the committee that the House Special Committee on Energy forwarded the bill with a letter of intent [included in the committee packet]. He explained that the letter navigates some of the "challenging terrain" related to the Bradley Lake project and associated transmission infrastructure, which has been under litigation for several years. He conveyed that the intent language covers the continuing differences and interpretations of the Bradley Lake contracts. The letter states that the legislature will not interfere; additionally, that HB 151 - the standards, integrated resource plan, and project pre-approval - shall apply to the Bradley Lake project and its transmission lines. Further, that the legislature will honor the exemption from RCA review until debt from the project has been paid.

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MR. HARDENBROOK directed attention to slide 11, which was an organizational chart of relationships under HB 151. He explained that the RCA would continue in its primary role at the top of the chart, followed by the ERO, or "Railbelt Reliability Counsel." He indicated that the Railbelt Electric Network was underneath the ERO.

REPRESENTATIVE TUCK questioned whether project pre-approval for large energy facilities includes decommissioning the project.

MR. HARDENBROOK deferred to Antony Scott.

REPRESENTATIVE HANNAN asked if independent power producers (IPPs) require approval from the ERO board to join the ERO.

MR. HARDENBROOK said the legislation allows for additional power producers to enter the system. He added that the ERO would be charged with developing the regulations that govern how the power producers fit into the network. He stated that the ERO board would be responsible for drafting the rules with RCA oversight that would allow those projects to gain access to the grid.

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ANTONY SCOTT, PhD, Commissioner, Regulatory Commission of Alaska (RCA), provided a PowerPoint presentation, entitled "HB 151." He informed the committee that he would address three things in today's presentation: the RCA's purpose; inefficiencies within the Railbelt electric system; and how HB 151 remedies those

defects. He directed attention to slide 2, which highlighted the RCA's purpose. He explained that by regulating the terms of service that utilities use to interact with their customers, the RCA engages in economic regulation. He explained that economic regulation occurs because the electric utilities - like all public utilities - are natural monopolies and therefore, lack the possibility of effective competition. Without effective competition, the utilities in this sector operate within their franchise and strive to provide safe, reliable and affordable power. The RCA's statutes, he said, are designed to ensure that the utilities' terms of service offer realized outcomes that reasonably emulate competitive market results. He noted that in 2018, consumers within the interconnected Railbelt spent \$880 million on electric utility service, over half of which was for fixed system costs. Regarding the regulation of interconnected public utilities on the grid, he explained that each one has a separate certificate and "we regulate each separate set terms of service for those entities," which creates the opportunity for less than efficient results.

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DR. SCOTT surmised that in 2014, the legislature recognized those inefficiencies when they asked the RCA to investigate ways of innovating and calculating better efficiencies between the utilities and the work that they do. He turned attention to slide 4, which highlighted the RCA's 2015 findings. Slide 4 read as follows [original punctuation provided]:

- Balkanized Railbelt ownership across six utilities creates inefficiencies
- Insufficient coordination across utilities results in inconsistent, inadequate and unenforceable electric reliability standards
- Insufficient integration between utilities curtails ability to ensure that planning and construction of new generation and transmission assets within one service territory is optimal for the system as a whole
- Interconnected transmission infrastructure benefits everyone, but there isn't a good business model to ensure cost recovery

- Insufficient coordination and integration across utilities hinders ability to maximize efficient operation of existing generators to meet load

DR. SCOTT explained that HB 151 addresses the first three inefficiencies by providing structure for consistent, adequate, and enforceable reliability standards; ensuring new infrastructure is built efficiently; and providing an avenue for ensuring that people contribute towards and equitably pay for transmission infrastructure. Dr. Scott noted that one of the RCA's 2015 recommendations to the legislature was to allow for a period for voluntary efforts by the stakeholders and utilities to solve problems on their own time, to which there has been significant progress in the intervening five years. Slide 6 illustrated the progress to date and read as follows [original punctuation provided]:

- Voluntary efforts have laid the groundwork for institutional reform
  - Greater understanding among all the parties of issues, barriers, and potential solutions to the suite of issues the RCA described
  - Railbelt utilities reached consensus in 2018 to form an electric reliability organization that includes non-utility stakeholder members
- Voluntary efforts have not resulted in institutional reform
  - Although the two sets of Railbelt reliability standards were reconciled, enforcement mechanisms are lacking, and areas of concern remain.
  - Efforts to form an independent transmission company have failed
  - Progress on an Anchorage-based "tight pool", let alone Railbelt-wide security constrained merit order dispatch, have stalled

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DR. SCOTT continued to slide 7 and explained that HB 151 cements existing progress and ensures results in rural institutions that deliver efficiencies and savings to consumers through enhancement of the commission's current jurisdiction. The bill also addresses enforceable reliability standards which, in addition to cyber security, are about ensuring adequate generation and transmission capacities to instantaneously match the supply and demand of electricity. For cost effectiveness,

the bill requires integrated resource planning to ensure efficiencies between and across utilities are captured. Lastly, this legislation provides a method for solving transmission infrastructure business model problems to ensure that utilities and consumers can pay for new transmission as its needed. Dr. Scott turned attention to slide 9 and noted that the bill ensures that the ERO will perform the coordinating function between both the utilities and a broader range of stakeholders and users of the interconnected system. He said because the RCA is a backstop to any potential failings in the ERO process, the bill creates powerful incentive for the ERO to get the work done correctly so the commission can approve it. He directed attention to slide 10 and noted that HB 151 builds on and meshes with current statutory framework wherein ERO actions are approved by the RCA and subject to public notice, and the unresolved problems are suspended into dockets for commission investigation and subsequent adjudication.

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REPRESENTATIVE HANNAN inquired as to the cost per kilowatt hour (kWh) for utilities participating in the ERO.

DR. SCOTT said it depends. He explained that generally, the cost for residential consumers ranges between 17-22 cents per kWh hour. He noted that rates have increased with the wave of new infrastructure and the spike in cost of natural gas in the Cook Inlet.

[2:47:43 PM](#)

REPRESENTATIVE HANNAN asked whether an ERO could lower consumers' utility costs.

DR. SCOTT said there would be no decrease in electric utility rates in the short term; however, there would over the long term because the bill will ensure that new additions to the system are efficient to the system.

REPRESENTATIVE HANNAN addressed the issue of regulating charging locations for electric vehicles. She asked how an ERO could benefit that infrastructure over the next 50 years as transportation becomes primarily electric and bridges different utilities.

DR. SCOTT he opined that reforming the rate structures within the Railbelt for fast charging stations is a problem that can be

readily solved. He reported that a technical workshop with interested stakeholders will be scheduled for scoping and promulgating regulations around rate reform for fast charging stations.

REPRESENTATIVE TALERICO asked Dr. Scott to review the process for starting an ERO.

[2:52:13 PM](#)

DR. SCOTT said the bill permits a range of possible and acceptable governance structures to avoid being overly prescriptive. If HB 151 were to pass, the RCA would promulgate regulations to outline minimum requirements for ERO organization. He said that would be an open rulemaking process with input from the public and interested stakeholders. Once the regulations are promulgated, the RCA would expect to receive applications from utilities.

[2:54:21 PM](#)

CO-CHAIR TARR asked how this legislation would have affected recent Anchorage infrastructure.

[2:55:03 PM](#)

DR. SCOTT remarked:

So, I want to be a little bit careful because we still have a preceding ... potentially returning to us around the prudence of plant 2A, which was built by ML&P, and whose prudence in terms of whether ... it was necessary was challenged by one of its customers. That is something which ended up in court and then remanded back to the commission. What the commission initially found was that plant 2A was prudent, that ML&P was meeting the needs of its own individual service territory in a reasonable way. The superior court ... advised us to go look at that further. The kinds of things that she felt that needed to be looked at globally are exactly the sorts of consideration of alternatives that an integrated planning process would require. ... if this legislation had been the law ten years ago, we would have had an open and transparent planning process, in which ... significant numbers of millions of ... capital expenditure could have been avoided.

MR. HARDENBROOK added that in 2018, \$880 million in electric utility bills was paid by consumers on the Railbelt, half of which went towards capital expenditures. He added that from 2010 to 2015, there was \$1.5 billion worth of new transmission infrastructure built on the Railbelt - costs that went on to credit cards, which consumers of the Railbelt are responsible for.

REPRESENTATIVE SPOHNHOLZ noted that HB 151 does not reference economic dispatch or the increased use of renewable energy, each of which could reduce costs to consumers and potentially decrease greenhouse gas production. She asked how an ERO could address those issues.

DR. SCOTT said an ERO will not have operational authority or direct economic dispatch under this legislation. Nonetheless, he said the RCA believes that this legislation would create a structure that ensures all utilities, and a broader range of stakeholders are regularly meeting and discussing issues. He opined that such cooperation would help ensure progress towards economic dispatch. He added that whether economic dispatch ultimately makes sense will depend on adequate transmission infrastructure. Regarding renewables, he opined that the bill clearly defines a pathway for enabling IPPs to interconnect with the system and to make sales of renewable energy across the system because under HB 151, the ERO is directed to develop standards for cost recovery of new transmission, as well as critical interconnection standards and nondiscrimination access standards. He offered his belief that this legislation would help bring new intermittent resources to the system.

[HB 151 was held over.]

[3:03:48 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:03 p.m.