

ALASKA STATE LEGISLATURE
SENATE RAILBELT ELECTRIC SYSTEM

January 24, 2020

3:31 p.m.

MEMBERS PRESENT

Senator John Coghill, Chair
Senator Elvi Gray-Jackson
Senator Peter Micciche
Senator Mike Shower
Senator Cathy Giessel

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Grier Hopkins

COMMITTEE CALENDAR

SENATE BILL NO. 123

"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: SB 123

SHORT TITLE: ELECTRIC RELIABILITY ORGANIZATIONS

SPONSOR(S): RAILBELT ELECTRIC SYSTEM

05/14/19	(S)	READ THE FIRST TIME - REFERRALS
05/14/19	(S)	RBE, FIN
01/24/20	(S)	RBE AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

RENA MILLER, Staff
Senator Cathy Giessel
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Delivered the sectional analysis for SB 123.

ANTONY SCOTT, Commissioner
Regulatory Commission of Alaska (RCA)
Anchorage, Alaska

POSITION STATEMENT: Delivered a PowerPoint relating to the role of the RCA in the context of SB 123.

ACTION NARRATIVE

[3:31:50 PM](#)

CHAIR JOHN COGHILL called the Senate Railbelt Electric System meeting to order at 3:31 p.m. Present at the call to order were Senators Giessel, Micciche, Gray-Jackson, and Chair Coghill.

SB 123-ELECTRIC RELIABILITY ORGANIZATIONS

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[3:32:30 PM](#)

CHAIR COGHILL announced the consideration of SENATE BILL NO. 123, "An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date."

CHAIR COGHILL introduced SB 123 speaking to the following sponsor statement:

In 2014, the Legislature sought the Regulatory Commission of Alaska's recommendations to improve effective and efficient electrical transmission among the six interconnected utilities in the Railbelt region, home to a majority of Alaska's population. Among the RCA's recommendations was formation of a reliability organization, which would write and enforce common standards for safe and reliable operation of the interconnected utilities.

The Railbelt electric utilities have made significant progress toward collaboration and cooperation. Most recently, all six entered into an agreement to work together to establish a reliability organization.

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. Senate Bill 123 reflects these recommendations and, if enacted, would support the utilities' voluntary work to develop a reliability organization.

On behalf of electric utility customers from Fairbanks to the Matanuska and Susitna valleys, from Anchorage through the Kenai Peninsula to Homer and Seward, the state should foster cooperation among the interconnected utilities and ensure consumer needs are efficiently and reliably met.

[3:36:12 PM](#)

SENATOR GIESSEL advised that Senator Shower was in the VPSO Working Group meeting and would join the committee thereafter.

CHAIR COGHILL asked Ms. Miller to walk through the sectional analysis.

[3:36:46 PM](#)

RENA MILLER, Staff, Senator Cathy Giessel and the Railbelt Electric System Committee, Alaska State Legislature, Juneau, Alaska stated that SB 123 establishes the Regulatory Commission of Alaska's (RCA) clear authority over an electric reliability organization (ERO). It defines participation in an ERO, talks about the requirements of the organization regarding the business it is to conduct, and outlines some of the powers and oversight between the RCA and the electric reliability organization.

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MS. MILLER delivered the following sectional analysis for SB 123:

Section 1. Adds new sections to AS 42.05, Alaska Public Utilities Regulatory Act.

Sec. 42.05.292: Electric reliability organizations

Requires interconnected utilities in a network served by a certificated reliability organization to participate in the reliability organization. Provides standard for RCA approval of a reliability organization. Directs reliability organization

governance. If no entity applies as a reliability organization by October 2020, the RCA must form one.

Subsection (b) talks about how a person can apply for certification as an ERO. The commission may certify one ERO for each interconnected network. The RCA must ensure some things are in place in order to certify an ERO. These are listed on page 2. The ERO must demonstrate it has the ability to take on the two core functions of an ERO. First, develop reliability standards and second, develop an integrated resource plan. Those will be discussed later in the bill.

The ERO must show the RCA it has established rules regarding how it will conduct business as an ERO. The ERO must act independently from the directors who are contemplated to be members of entities that would be subject to the standards of the ERO. The board must show it will fairly allocate costs involved. It needs to have established fair procedures for enforcing the standards it puts out. It also needs to show it can provide reasonable notice and involve the public in its process.

The legislation requires the board to look a certain way, although it still leaves a lot to be determined by the applicant that wants to be the ERO. The governing board must include two nonvoting members: an RCA commissioner and the attorney general or designee, likely the assistant attorney general assigned to the regulatory affairs and advocacy section that works with the RCA.

[3:40:17 PM](#)

CHAIR COGHILL recognized that Representative Grier Hopkins had joined the meeting and noted that he chairs the House committee that is hearing similar legislation.

MS. MILLER continued the sectional. She explained that the board needs to be an independent board or a balanced stakeholder board or a combination.

[3:40:45 PM](#)

Subsection (c) establishes that if nobody applies to be an ERO within a certain time, the RCA shall create one.

Subsection (d) talks about the business the ERO will undertake upon certification. The ERO must file its reliability standards with the RCA as part of a tariff. The RCA would use the existing process in public utility regulatory statutes that is used for tariffs to process these standards. There are existing provisions for public noticing and review. The RCA has the ability to enforce the standards the ERO puts forth.

The bill discusses what reliability standards the ERO needs to provide for. These are standards that ensure that the interconnected system and facility is operating reliably. They can address things such as cybersecurity and facility security, but the standards may not require enlargement or new construction of transmission and generation. She noted that this is outlined on page 3, lines 13-14.

Subsections (e)-(f) establishes how the RCA can address the standards the ERO files with the RCA. The commission can approve, amend, or reject the standards. The RCA can require certain standards it believes are necessary.

Subsection (g) discusses how the reliability organization can enforce the standards the RCA has accepted. The ERO can assess penalties, if necessary.

Subsection (h) provides that the RCA may also enforce standards, if necessary.

Subsection (i) lays out an appeals process if penalties are assessed for noncompliance. The commission must expedite any appeals related to fines.

Subsection (j) establishes that any penalties must be reasonable in relation to the seriousness of the violation.

Subsection (k) states that the RCA may direct the electric reliability organization to assess the reliability of the bulk-power system.

Subsection (l) provides that if a reliability standard is adopted that conflicts with a tariff provision

already in place, the utility must comply with the tariff until the RCA resolves the conflict.

Subsection (m) requires an ERO to file with the RCA, their rules and any changes to their rules regarding fairness, process and public notice.

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CHAIR COGHILL asked if the RCA is able to request changes to the rules the ERO has put forward or if it simply ratifies what is put forward. [A committee member pointed out the language that allows the RCA to propose changes.]

SENATOR MICCICHE asked if the RCA is able to establish rules if the ERO hasn't put them forward by October 2020.

MS. MILLER directed attention to the October 1, 2020 date in subsection (c) on page 2. She explained that the bill was drafted in May 2019 so all the dates in the bill will need to be changed. The intention is to give the RCA a year to write the regulations before it takes applications from somebody to be an ERO. If nobody has applied for certification to be an ERO during the application period, the RCA must form an electric reliability organization.

CHAIR COGHILL related that he made the decision to introduce the bill knowing that the dates would need to be changed. He said he wanted to get the structure laid out before the discussion about implementation.

SENATOR MICCICHE referenced subsection (e) in Section 1 and asked if there is an appeal process for the RCA's action on amending the proposed reliability standard.

MS. MILLER said she believes the existing appeals process on tariffs would apply but she would defer to RCA Commissioner Scott to provide the details.

CHAIR COGHILL reiterated that he wanted the structure laid out before any details are addressed.

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SENATOR GRAY-JACKSON asked when the application period ends.

CHAIR COGHILL replied the law is not in effect at this point, just a memorandum of understanding (MOU) that the Railbelt utilities have signed.

SENATOR GRAY-JACKSON responded that when she read the bill, she was pleased to see that the application process started.

CHAIR COGHILL reiterated that, at this point, the bill is a template for codifying the process.

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MS. MILLER advised that the utilities are taking applications from interested parties to work together to form an organization. Once the RCA begins taking applications, those groups could apply to be an ERO.

MS. MILLER continued to review the sections of SB 123.

Subsection (n) on page 5 requires the RCA to adopt regulations governing electric reliability organizations, reliability standards, and modifications to standards. The regulations require an ERO applicant to obtain a certificate of public convenience and necessity; may provide for open access transmission tariffs to an ERO; must provide a process to resolve conflicts; and must allow an ERO to recover its costs associated with the organization.

CHAIR COGHILL clarified that this provides a template for the existing Railbelt utilities to work together under a reliability standard they agree on to benefit ratepayers.

MS. MILLER continued to review Section 1 of SB 123.

Sec. 42.05.293. Integrated resource planning.

Subsection (a) requires an ERO to file an integrated resource plan for a given network. It discusses the structure of integrated resource planning and establishes that the network must meet the customers' needs at the lowest cost, consistent with the public interest. Because the lowest cost is not always in the public interest, the equation must be balanced.

Subsection (b) provides the commission the authority to approve, reject, or modify an integrated resource plan submitted by an ERO.

Sec. 42.05.294. Project preapproval.

Subsection (a) clarifies that a public utility that is interconnected with a bulk-power system must receive

RCA approval that the facility is necessary to the entire system. The RCA will ensure that the facility complies with all reliability standards and meets the needs of a load-serving entity that is substantially served by the facility in the most cost-effective manner.

Subsection (b) provides a connection between an integrated resource plan and the project preapproval. If a new project is part of an approved integrated resource plan, that facility is presumed approved, unless the RCA finds otherwise by clear and convincing evidence.

CHAIR COGHILL suggested that the committee may want to ask the RCA how that standard is applied.

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MS. MILLER continued to describe the sections of SB 123.

Section 2 adds new definitions to AS 42.05.990, the Alaska Public Utilities Regulatory Act. It defines bulk power system; cybersecurity incident; electric reliability organization; electric utility; interconnected electric energy transmission network; load-serving entity; and reliable operation.

Section 3 adds to uncodified law requiring the RCA to adopt regulations and be ready for an application from a perspective electric reliability organization.

Section 4 provides direction to the RCA to write regulations to implement the bill immediately.

Section 5. Establishes an effective date of July 1, 2020, for all other sections. As discussed earlier, the effective dates must be adjusted. The intent was that the RCA would have a year to write the regulations and then begin to take applications to become an electric reliability organization.

CHAIR COGHILL asked if the definition of "interconnected electric energy transmission network" in paragraph (18) has been described in law previously.

MS. MILLER replied she didn't know.

CHAIR COGHILL said he'd ask the RCA to find out if the definition is new or Railbelt utility specific.

MS. MILLER said that reminded her of an important point about the definition for "bulk-power system." The language on lines 4 and five says that at least one of the two or more interconnected utilities is subject to the provisions of AS 42.05.291. That language is intended to ensure the ERO formed under the bill only applies to Railbelt utilities, not interconnected utilities in other areas of the state.

CHAIR COGHILL invited Commissioner Antony Scott to testify.

[3:58:15 PM](#)

ANTONY SCOTT, Commissioner, Regulatory Commission of Alaska (RCA), Anchorage, Alaska, delivered a PowerPoint relating to the role of the RCA in the context of SB 123. He said people have been talking about reform in Railbelt utilities for more than 30 years and he was pleased that while SB 123 won't create an ideally efficient Railbelt system, it is an important first step. He opined that most of the parties agree on the broad framework of what is proposed, which will help build trust, understanding, and cooperation moving forward.

He said his goal is to discuss what the RCA does, the process leading to the bill, and what the bill does and does not do.

[4:00:16 PM](#)

MR. SCOTT began the PowerPoint presentation with an explanation of the RCA's purpose. He explained that public utilities tend to be natural monopolies and are not necessarily competitive if there is just one within a given service area. Left to its own devices, a natural monopoly would raise prices or allow service quality to degrade. Because of this, the quasi-judicial Regulatory Commission of Alaska is charged with setting rules through tariffs and regulations to ensure that the services a public utility offers reflect efficient market outcomes. Their prices are to reflect a competitive market that is in the public interest.

He said because a great deal of value is at stake, the RCA's work is important. For example, Railbelt consumers spent about \$880 million on electrical service in 2018. Also, increasing the efficiency of operations through tighter inter-utility coordination is similar to a tax cut because it puts money in consumer's pockets. Even a two percent increase in efficiency would translate to savings of more than \$17 million per year. He

also pointed out that reliable service can be a matter of life and death. Lack of reliability can, at a minimum, involve substantial economic losses.

MR. SCOTT agreed with Senator Coghill that focusing on reliability in no way suggests that the Railbelt utilities are providing inadequate service. He said having efficient and enforceable standards is comparable to having an insurance policy and SB 123 is about providing insurance for consumers moving forward. He said the need for enforceable reliability standards is heightened when trying to ensure that the physical infrastructure meets the needs of consumers in all service areas.

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CHAIR COGHILL pointed out that technologies such as wind power have also changed the dynamics.

MR. SCOTT agreed and added that institutional innovation is important as new technologies develop.

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MR. SCOTT discussed the process to get to SB 123. In 2014, the legislature directed the RCA to investigate "whether creating an independent system operator or similar structure for electrical utilities in the Railbelt area is the best option for effective and efficient electrical transmission." The RCA held public hearings to assess whether there was room for improvement and what the path forward might be. In 2015, the RCA presented its findings and recommendations to the legislature. He said the record was voluminous. Last week Chairman Pickett updated the legislature on its progress toward the original recommendations. He noted that the Commission unanimously endorsed the letter that supports SB 123 as the preferred vehicle for institutional reform. He described the bill as an outgrowth of the learnings and progress to date.

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MR. SCOTT said the RCA's 2015 findings diagnosed the problem which was that the ownership and operation of the Railbelt utilities was fragmented. Six utilities served a number of customers that would be served by a single utility in the Lower 48, which creates inefficiencies. For example, the interconnected transmission infrastructure is not a good business model to ensure cost recovery outside a service area; the lack of integration across utilities makes it difficult to ensure that construction of new generation and transmission

assets in one service area is optimal to the system as a whole; lack of coordination and integration across utilities hinders efficient operation of existing generators to meet load; and lack of coordination has resulted in inconsistent, inadequate and unenforceable electric reliability standards.

He noted that under existing statute the Commission could remedy the lack of reliability standards. AS 42.05.291 charges the RCA with ensuring adequate quality of service so it could order utilities to do certain things. The RCA has not done this but Chair Picket has started a process for promulgating regulations if there is no institutional reform. However, this is not the best approach because it takes a long time to establish a new standard by regulation and the Commission is not the best party to know how and what is needed for the system overall. Deeper expertise for the best operation of the system is within the utilities. SB 123 seeks to outsource those responsibilities, with public participation, and the RCA provides oversight. The intent is that the RCA will not exercise its authority under .291. Things that come to the RCA will be subject to a 45 day public notice period like all other tariff filings.

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SENATOR MICCICHE asked if there is an appeals process under Sec. 42.05.292(e) once the RCA amends an agreement. He added that he assumes that the public process just mentioned isn't a formal appeal process.

MR. SCOTT replied the concept in SB 123 is to have reliability standards filed in a tariff. Tariffs are subject to several existing provisions in statute for such things as nondiscrimination, public notice, and timelines. He recounted that when a tariff comes in, it is public noticed and the Commission has 45 days to accept the tariff, reject it according to form, or suspend it into a docket of investigation. He noted that the majority of cases are accepted. A tariff that is rejected according to form is deficient in some technical respect. A tariff suspended according to form elicits a proceeding in which there are parties and a record is created. When the RCA makes a ruling on a tariff that has been suspended into a docket for investigation, the first point of appeal is to request reconsideration. Once reconsideration is past or the Commission doesn't take it up, the ruling may be appealed to superior court.

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SENATOR MICCICHE commented that subsection (e) isn't clear that the process would be the same as the tariff process. Noting that the bill allows the Commission to amend, he said it seems that it could potentially become a legal process if an amendment isn't acceptable.

MR. SCOTT agreed. He explained that under existing statutes, the RCA can only modify a tariff after there is a public process and a decision is made based on a sound record. If the affected parties believe the commission got it wrong, the matter goes to superior court.

SENATOR MICCICHE pointed out that a proposed modification [to a reliability standard] that takes effect upon approval by the Commission is a little different than a tariff adjustment.

MR. SCOTT said RCA staff suggested that the sentence that Senator Micciche identified on page 3, lines 20-21, could be read as potentially in conflict with the Commission's normal procedure and he and Ms. Miller discussed changing that language when the bill is amended. He recommended removing the sentence entirely so it is clear that it doesn't create conflict with existing statute.

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MR. SCOTT turned to slide 6 that lists the substantive recommendations for reform that the RCA made in 2015. He said SB 123 addresses some, but not all, of the recommendations. The first was the need for consistent and enforceable operating and reliability standards, which is a primary focus of SB 123. The RCA also identified a need for new institutions to provide for security-constrained economic dispatch. He said that means that the most efficient generators, regardless of ownership, are used to meet load. SB 123 does not address that recommendation. Third, the RCA identified the need for an independent transmission company to own, finance and operate a single transmission tariff. Currently there is no business model for this. There has been considerable effort in the last five years to create consensus with an interested company from Wisconsin. That company initially made an application with the Commission to certify what is called a TRANSCO, but subsequently withdrew the filing. He said he would provide more explanation later but there is a small provision in SB 123 to achieve the same result without creating an independent transmission company. The fourth substantive recommendation was for the legislature to clarify the RCA's authority to require integrated resource planning and large project preapproval to ensure major new infrastructure is

most efficient for the benefit of all. He reported that more than 33 states in the nation have integrated resource planning processes within utilities. The RCA does not have clear authority to regulate coordination across utilities, but SB 123 provides that process.

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MR. SCOTT reviewed the list of the RCA's 2015 process recommendations. First is to allow time for these voluntary efforts to work among the parties but have a stopping point. Second, return to the legislature if the voluntary efforts fail. He said it's been more than five years now so it's time to do something. The third suggestion is for the legislature to recognize that the RCA has an increased need to fund specialized talent to manage its share of these activities. Last session the legislature addressed this need when it passed SB 83 authorizing the Commission to hire up to five utility master analysts.

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He said the Railbelt utilities have reached consensus to form an electric reliability organization that would include non-utility stakeholders and the parties have educated one another so there is greater understanding of the issues, barriers, and how to proceed. These voluntary efforts have laid the groundwork for institutional reform but have not resulted in such. There has been progress in some areas and disappointment in others, he said.

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MR. SCOTT stated that the legislation is modeled on the 2006 amendment to the Federal Power Act. That bill created a similar relationship between the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC), the designated ERO. He explained that SB 123 would enhance the RCA's jurisdiction, consistent with the Commission's 2015 and 2020 recommendations to the legislature. It substantively addresses: consistent and enforceable reliability standards; integrated resource planning to identify optimal new infrastructure needs; the requirement for the RCA to preapprove large infrastructure projects; and creation of a potential path to allow zonal transmission rates and cost responsibility for new transmission identified as necessary that would enhance prospects for security constrained economic dispatch.

He described SB 123 as a vehicle to create certainty towards institutional reform. It defines an electric reliability organization as a public utility subject to the RCA's

jurisdiction. Statutory change is needed because an ERO currently does not provide electric utility service. The RCA's jurisdiction over EROs would be similar to FERC's jurisdictional authority over the NERC. The bill creates a definitive timetable and deadline for the RCA to designate an applicant to be an ERO. He highlighted the backstop which is that the RCA shall create an ERO and find somebody to run it if nobody has come forward in the relevant timeframe. He emphasized that the Commission does not want to be the entity to form an ERO.

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SENATOR MICCICHE observed that under AS 42.05.291(c), the RCA has had similar authority since 1970. He asked if there was a reason it's taken 40-some years to move forward.

MR. SCOTT responded that he didn't recall the exact provisions in subsection (c) but .291 does give the Commission authority to impose corrective measures after a hearing. That being said, the RCA interprets its statutory authority to apply to each certificate holder individually, not necessarily to coordination among several certificate holders. He added that while the Commission has authority under .291 to oversee reliability, it has not traditionally had the staff and expertise to step in and manage those sorts of activities.

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SENATOR MICCICHE said he thinks the voluntary approach is more effective and likely to be less confrontational than if the RCA imposed standards. He reiterated that he finds it interesting that it's taken 49 years to get to this point.

CHAIR COGHILL pointed out that the desire for renewable energy and independent operators has driven many of the discussions whereas before it was a survival mode.

4:30:16 PM

MR. SCOTT turned to slide 11 relating to the bill's incentives for collaborative efforts. He reiterated that the RCA will only step in to create an ERO if nobody steps forward. Further, the Commission would not delegate its authority for reliability and planning to the ERO because the ERO itself is not accountable. Under AS 42.05.291, the Commission is accountable for things like service quality. As with the federal model, the RCA would assign most of this work to the ERO and generally follow the ERO's lead. It would be a rare circumstance, but the Commission has the authority to impose remedy in the event of inaction, insufficient progress, disputes, or insufficient attention to

the public interest. This is similar to the federal legislation; FERC maintains its jurisdiction for reliability but assigns certain responsibilities to the NERC to carry out. He said the RCA also maintains its authority regarding reliability standards and the Integrated Resources Planning (IRP) process.

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MR. SCOTT advised that the standards would be filed for approval as tariffs, which would trigger existing statutory construct for things like timelines for approval and public notice. Tariff filings are subject to a 45 day notice as opposed to the more cumbersome and lengthy process for a regulation project. The Commission will participate as an ex officio member so it will be aware of the proceedings and can raise concerns timely if required. He reiterated that, most frequently, tariff filings are approved in 45 days and not suspended into a docket.

He offered to answer questions.

CHAIR COGHILL summarized that the experts that are part of this new working group will be looking for solutions before they come to the RCA.

MR. SCOTT replied that is the intent and it is also the intent to have technical expertise and broader public involvement. He explained why by talking about the relationship between reliability standards, integrated resource planning, and project approval.

He explained that electrical supply and demand have to match at all times or there will be outages. This means that infrastructure needs to be sufficient to ensure that supply and demand match for reliable service. The planning process considers capital intensive additions which are large investments. For example, ML&P's plant 2A (their replacement generation stock) is a \$330 million plant. For these large investments it is appropriate to have a broad array of stakeholders to weigh in on what is sufficient reliability and what is too much cost for that reliability. These discussions and decisions aren't just technically driven. They also involve values and questions about renewable power, how much conservation is appropriate to meet load, where load is going and if it is growing or shrinking. He said submitting these sorts of questions for robust interest-group discussion tends to produce better answers than just leaving it to a narrow group of experts. So an Integrated Resource Planning (IRP) process is tied to the reliability process.

He described the project preapproval process as a backstop to the planning process. It creates incentives for people to take the planning process seriously. If the project is consistent with a plan, then the project is presumed to be needed and that presumption will be very difficult to overcome.

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CHAIR COGHILL asked if the broad makeup of the ERO that's envisioned by the bill should be narrowed or broadened even further. He said one consideration when the bill was drafted was that with an organization a lot of input would be submitted.

MR. SCOTT responded that the RCA thought it was wise to borrow from the federal model that has those three governance measures. Right now, the efforts to form a Railbelt Reliability Council (RRC) (that will be an applicant for the role of ERO) is consistent with one of the structures permissible under the Act. However, it's important that it isn't the only possible structure because one of the backstops in the bill is that the RCA can propose one if nobody comes forward.

CHAIR COGHILL said this committee and the House Energy Committee will meet jointly on the 27th to hear from eight different groups. The committees will hear about the requirements from both the regulatory and organizational perspectives.

MR. SCOTT observed that the current proposal for the governance of the Railbelt Reliability Council (RRC) is consistent with the bill in broad terms. However, it does raise some concern about independence when each of the Railbelt utilities felt it was important to have a seat on the RRC board. He emphasized that when someone is working for the ERO, their fealty to the ERO should come first. He advised that there will be rules in the code of conduct standards that will try to bolster that. He cited the Electric Reliability Council of Texas (ERCOT) Board that is focused on ensuring that the wholesale power market runs independently and properly.

[4:42:44 PM](#)

SENATOR SHOWER joined the committee.

CHAIR COGHILL welcomed Senator Shower and noted that he wasn't able to arrive earlier because of a conflict with another meeting.

MR. SCOTT continued to explain that ERCOT has just one representative for each of the following: all the investor owned utilities, all the co-ops, all municipals, all the independent powers, all residential consumers, all commercial consumers, and all the industrial consumers. That board also has five at-large members so it is a more representative body of all interest groups. He said the current proposal from the RRC is to be applauded because the parties have agreed to something, which is progress.

CHAIR COGHILL said the reason for having each of the utilities represented on the RRC is that regulation will be across utilities whereas ERCOT is operating within a utility. He asked if that was incorrect.

4:47:00 PM

MR. SCOTT replied ERCOT governs the market of Texas across utilities, but it's such a large state that it would be unworkable for each company to have a representative on the governing board. The idea is to have the various interest groups represented within the governing body. He offered his perspective that, in some ways, the individual Railbelt utilities see themselves as their own interest groups. For example, Golden Valley Electric Association's (GVEA) view of its needs is very different than any other Railbelt utility's view of their particular needs, which is why they've come together in the particular approach.

CHAIR COGHILL agreed that Texas is not a single grid; it operates within the U.S. grid. In Alaska, the Railbelt utilities have huge geographic and economic differences. He noted the unique challenges in the Interior associated with having power plants on several military bases, in downtown Fairbanks, in Healy, in North Pole, and at the university, as well as wind power coming in from both directions. He said these various plants serve just 100,000 people and it would be nice to streamline things. However, that will take time, he said.

MR. SCOTT expressed gratitude for being invited to the meeting and excitement about the opportunity to be part of nudging reform to a next step.

CHAIR COGHILL opined that the legislature has the opportunity to codify "a solution that has percolated up over a huge amount of discussion between the utilities and those of us in the state that want to watch out for the consumers but still grow our economy."

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SENATOR GRAY-JACKSON expressed excitement about this effort and reported that she participated in an earlier effort when she worked for Municipal Light and Power.

[SB 123 was held in committee.]

4:50:54 PM

There being no further business to come before the committee, Chair Coghill adjourned the Senate Special Committee on Railbelt Electric System meeting at 4:50 p.m.
