

ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE RAILBELT ELECTRIC SYSTEM
HOUSE SPECIAL COMMITTEE ON ENERGY

January 29, 2020

3:34 p.m.

MEMBERS PRESENT

SENATE RAILBELT ELECTRIC SYSTEM

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

HOUSE SPECIAL COMMITTEE ON ENERGY

Representative Grier Hopkins, Chair
Representative Ivy Spohnholz, Vice Chair
Representative John Lincoln
Representative Zack Fields

MEMBERS ABSENT

SENATE RAILBELT ELECTRIC SYSTEM

All members present

HOUSE SPECIAL COMMITTEE ON ENERGY

Representative Tiffany Zulkosky
Representative George Rauscher
Representative Mike Prax

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

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: 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
01/24/20	(S)	Heard & Held
01/24/20	(S)	MINUTE(RBE)
01/27/20	(S)	RBE AT 3:30 PM SENATE FINANCE 532
01/27/20	(S)	Heard & Held
01/27/20	(S)	MINUTE(RBE)
01/29/20	(S)	RBE AT 3:30 PM SENATE FINANCE 532

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

WITNESS REGISTER

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project (REAP)
Anchorage, Alaska

POSITION STATEMENT: Delivered a PowerPoint in support of SB 123 and HB 151.

CURTIS THAYER, Executive Director
Alaska Energy Authority (AEA)
Anchorage, Alaska

POSITION STATEMENT: During the hearing on SB 123 and HB 151, discussed AEA's goal to lower the cost of energy in Alaska.

DUFF MITCHELL, Executive Director
Alaska Independent Power Producers Association
Juneau, Alaska

POSITION STATEMENT Delivered a PowerPoint related to removing gridlock in the context of SB 123 and HB 151.

VERI DI SUVERO, Executive Director
Alaska Public Interest Research Group (AKPIRG)

POSITION STATEMENT: Provided AKPIRG's perspective of SB 123 and HB 151.

ACTION NARRATIVE

[3:34:16 PM](#)

CHAIR JOHN COGHILL called the joint meeting of the Senate Railbelt Electric System and the House Special Committee on Energy to order at 3:34 p.m. Present at the call to order were Senators Gray-Jackson, Giessel, Shower, Micciche, and Chair Coghill; and Representatives Lincoln, Fields, and Chair Hopkins. Representative Spohnholz joined the meeting soon thereafter.

SB 123-ELECTRIC RELIABILITY ORGANIZATIONS **HB 151-ELECTRIC RELIABILITY ORGANIZATIONS**

[3:35:25 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." and

HOUSE BILL NO. 151, "An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date."

[3:37:59 PM](#)

CHAIR COGHILL asked Mr. Rose with REAP to present his PowerPoint.

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP) thanked the committees for hearing the legislation and the Regulatory Commission of Alaska (RCA), the utilities, and all other stakeholders for their work on this effort. He stated support for both SB 123 and HB 151.

He reported that REAP, a nonprofit founded in 2004, has over 75 dues-paying members. Each year 21 members are elected to the board representing businesses, utilities, NGOs, educational institutions, and at-large members. He said REAP's mission is to increase renewable energy development and promote energy efficiency in Alaska.

MR. ROSE described REAP's focus on education and programs. Each year STEM educators reach 700 classrooms promoting AK EnergySmart and Wind for Schools. They work throughout the state giving presentations, workshops, and conferences. Their focused effort is to increase energy literacy in all areas of the state.

[3:39:09 PM](#)

MR. ROSE displayed a timeline showing 30 years of Railbelt energy reform efforts from 1986 when the Railbelt Energy Fund was established through 2014 when the legislature appropriated money for the RCA to study the Railbelt system. During that time there were many efforts to reorganize the Railbelt grid. He said the Railbelt utilities have done a terrific job over the last 70 years but things changed over time and there are issues now about how to operate as a whole.

[3:39:52 PM](#)

REPRESENTATIVE SPOHNHOLZ joined the meeting.

MR. ROSE displayed a timeline showing REAP's involvement since 2011 when it became a member of the Railbelt Integrated Resource Plan (RIRP) Citizen Advisory Committee. Once the legislature appropriated money for a study and the RCA opened docket I-15-001, REAP became more heavily involved. In 2015 REAP urged the legislature to introduce House Bill 187 to create an independent system operator (ISO). This effort was repeated in 2018 with House Bill 382. Both bills looked at an independent board of directors with three or four representatives from the utilities. Over the last year and a half REAP has been helping the utilities develop a memorandum of understanding (MOU) that they

have now all signed. A primary driver has been to make many of the functions mandatory.

He stated that REAP supports the legislation as proposed as well as the following four pillars:

1. To allow the RCA to oversee the new RRC if it is successfully established voluntarily.
2. To allow the RCA to establish something like the RRC on its own, if current voluntary efforts to do so fail.
3. To call on the RRC to execute regional integrated resource planning that would allow a broad public process to decide the future generation and transmission needs for the Railbelt.
4. To give the RCA the authority to preapprove all large new generation and transmission projects to protect Railbelt consumers.

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MR. ROSE listed the following problems:

- There is no regional economic dispatch. The RCA pointed this out in their 2015 and 2020 letters. Each of the six utilities is balancing supply and demand within their own suboptimal balancing area. This is problematic for renewable energy because it limits the space the variable electrons from wind and solar can go.
- There is no regional planning, which the bill does address.
- The RCA does not have pre-approval authority, which the bill does address.
- There are no regional reliability standards, which the bill does address.
- There are no regional nondiscriminatory interconnection standards, which the bill does address.
- There is no regional transmission tariff, which can make the cost of moving power uneconomic. The open access transmission tariff in the bill will hopefully address the regional transmission tariff.

[3:42:54 PM](#)

MR. ROSE stated that REAP sees electric grid reform as risk management. Establishing an ERO will help the Railbelt with the existing challenges associated with fuel price volatility, climate risk, technology innovation, changing customer needs and desires, and grid resiliency and security.

He related that in Cook Inlet, one producer controls about 85 percent of the production. Natural gas is virtually monopoly controlled in Cook Inlet. There is flat demand and a small market for that gas in the Railbelt. The infrastructure is aging and the production costs for the gas are high. A lot of state subsidies have been supporting the production of that gas, which is a risk for the region.

MR. ROSE displayed an excerpt from a 2015 letter from five large oil companies to the United Nations to illustrate the climate risk.

Pricing carbon obviously adds a cost to our production and our products - but carbon pricing policy frameworks will contribute to provide our businesses and their many stakeholders with a clear roadmap for future investment, a level playing field for all energy sources across geographies and a clear role in securing a more sustainable future.

He emphasized that a federal carbon price is inevitable.

[3:44:09 PM](#)

MR. ROSE turned to the slide that lists technology innovations and other disruptors. He highlighted that wind and solar prices are falling dramatically. They are market disruptors in other places because they often cost less than generation by coal and natural gas. Electric transportation is another disruptor that is gaining traction. Electricity is being used for heating and batteries and other energy storage devices are dropping in price. He said it's important to have a regional forum to address these changes.

He displayed a slide depicting a wind and solar farm and highlighted that according to a December 2019 analysis by Lazard, wind energy prices have fallen 70 percent and solar photovoltaics have fallen 89 percent, on average, over the last decade. Those prices are predicted to continue to decrease going forward. He displayed a recent slide from the U.S. Energy Information Administration that states:

According to the U.S. Energy Information Administration's (EIA) latest inventory of electric generators, EIA expects 42 gigawatts (GW) of new capacity additions to start commercial operation in 2020. Solar and wind represent almost 32 GW, or 76%, of these additions. Wind accounts for the largest

share of these additions at 44%, followed by solar and natural gas at 32% and 22%, respectively. The remaining 2% comes from hydroelectric generators and battery storage.

[3:45:43 PM](#)

MR. ROSE displayed Lazard's most recent estimates of Levelized Cost of Energy Comparison of renewable and conventional energy. It is an unsubsidized analysis, so it is comparing "apples to apples" and shows a cost range for each renewable and conventional resource. He noted the range for solar is 3.2 cents to 4.2 cents per kilowatt hour. The range for wind is 2.8 cents to 5.4 cents per kilowatt hour. He said these are the cheapest resources available right now.

MR. ROSE directed attention to the graph showing the trajectory of solar photovoltaic deployment and cost since 2009. The superimposed red line shows that as the cost goes down, generation increases considerably. He noted that more than 60 gigawatts of solar was installed in 2018.

The next graph shows a similar graph for U.S. Onshore Wind deployment & Cost. He highlighted that the price of wind is dropping so dramatically, an additional 90 gigawatts of wind generation is anticipated this year. The next graphic of the Lower 48 shows that the states colored dark blue have passed 100 percent clean energy policies and those colored light blue have renewable energy targets. He pointed out that Alaska is not colored because it does not have a codified goal for renewable energy.

[3:47:19 PM](#)

MR. ROSE emphasized that customer needs and desires are changing quickly. People are installing solar on their roofs but, more importantly, 63 percent of the Fortune 500 companies have set one or more climate change or clean energy targets. This means they will not move into communities that do not have renewable energy for their customers. He highlighted that this is important to Alaska as it tries to encourage companies to invest in the state.

He reported that Apple's next U.S. data center will be built near Des Moines, Iowa, his hometown. [Apple's investment of \$1.3 billion is projected to create 550 construction jobs in the area, and the company is contributing up to \$100 million to a newly created Public Improvement Fund.] He said the tremendous economic investment in this area can be attributed to the fact

that 100 percent of the power that Apple purchases will come from wind generation. Statewide, 40 percent of the power generated in Iowa is from wind.

[3:48:16 PM](#)

CHAIR HOPKINS asked if the wind farms are located in Iowa or in another state and available through the interconnection in the Lower 48.

MR. ROSE responded that he assumes that the power comes from Iowa. On a per capita basis, Iowa produces more electricity from wind than any other state. It's more than Iowans use and the excess is delivered to places like Kansas City and Chicago.

CHAIR HOPKINS commented that the electricity is delivered through the interconnection among utilities and the transmission system in the Lower 48.

MR. ROSE agreed. He added that the transmission system acts like a storage system for this large grid so there is always someplace for the electrons to go. It's different than in the Railbelt where there isn't a regional grid to deliver electrons regardless of where they're produced. He continued to say that grid resiliency and security is a large issue for the RCA.

[3:49:48 PM](#)

REPRESENTATIVE SPOHNHOLZ questioned his statement that Alaska doesn't have a policy regarding renewable energy because the governor mentioned on Monday that the legislature passed a policy in 2010 that required 50 percent of energy in Alaska come from renewables. She asked for an explanation of the discrepancy between statements.

MR. ROSE explained that the governor was referring to House Bill 306 that passed in 2010. It had the 50 percent by 2025 goal, but it was not codified. Therefore, it is neither a mandate nor a goal. He noted that he mentioned this to the governor yesterday.

REPRESENTATIVE SPOHNHOLZ described the legislation as aspirational.

MR. ROSE agreed it was an aspirational goal. He then pointed out that other states have codified their goals.

[3:51:13 PM](#)

MR. ROSE turned to the slide that states that western grid integration could be a boon for wind. He read the following

quote from Stephen Beuning, Director of Market Operations, Xcel Energy:

When utilities pool their generation assets and dispatch [them] together, you get greater efficiency and flexibility. Those two things combine to help renewable integration.

He highlighted that XL Energy, the largest utility in the country, has come full circle. It initially fought Colorado's Renewable Portfolio Standard and now says it will go 100 percent renewable electricity.

MR. ROSE stated that REAP has a few concerns about the governance structure of the proposed RRC. First, the governing board outlined in the RRC memorandum of understanding (MOU) that the utilities negotiated is not independent. REAP and other non-utility stakeholders worked with the utilities to tighten the language but didn't have any leverage to encourage the utilities to change the governance structure in the MOU. He pointed out that if AEA (Alaska Energy Authority) weren't a state entity, it would be classified as a utility because it owns generation and transmission. From that standpoint, the board has seven utilities and five non-utilities. He said REAP would like to see a requirement that minority positions of the RRC in the Integrated Resource Planning process are reported to the RCA. Then the RCA could consider that when it decides whether or not to modify or approve an IRP. He said REAP would also like a commitment from the utilities that the governance board will evolve over the next 5-10 years to become truly independent.

[3:54:08 PM](#)

MR. ROSE reviewed five points that REAP believes are important going forward. First is the hope that the local planning and reliability criteria in existing statute do not create loopholes that would defeat the purpose of the Integrated Resource Planning (IRP) process or the ability of the RCA to pre-approve projects. Second is to ensure that the legislation makes it possible to move toward a universal transmission tariff in the Railbelt so there are no pancaking transmission tariffs. The third point is that REAP would like a commitment to transition to merit-order economic dispatch at a future time certain. He noted that the MOU simply says that when established the RRC will study merit-order economic dispatch.

[3:54:59 PM](#)

CHAIR COGHILL pointed out that the MOU is very different than the statutory rule and it's important that they aren't crossed.

MR. ROSE replied he wanted the committee to understand some of the issues involved with the MOU process.

He continued to say that REAP wants to make certain that the RRC develops protocols to allow for non-discriminatory open access to both individual utility networks and the wider transmission system. He said the last point is that the legislation should reflect the needs of Alaskans, not necessarily the needs of the utilities' MOU to form the RRC. He noted the testimony from the utilities on Monday was that they would like the legislation to comport to the MOU whereas REAP believes the legislation should protect Alaskans first.

[3:56:19 PM](#)

MR. ROSE said the following points summarize what REAP believes Railbelt reform would do for Alaska:

- Create a more level playing field for renewable energy producers
- Stabilize energy prices, including rural electricity, and diversify the fuel mix
- Decrease greenhouse gas emissions
- Attract investment
- Diversify the economy and create jobs
- Prepare Alaska for a better future that will likely include both electric transportation and heating

MR. ROSE said the meetings over the last year and a half have been very productive, but the recent effort to completely rewrite SB 123 was not a good process. He expressed hope that the processes will be less rapid when the Implementation Committee and the Railbelt Reliability Council are formed.

[3:57:26 PM](#)

CHAIR COGHILL asked if he would agree that integrated resource planning with a number of utilities that have different geographic economies is very different than a single utility because they bring very disparate points of view.

MR. ROSE said yes; it makes sense that the utilities want to be on the implementation committee and the RRC. He added that the resources and needs vary in different parts of the Railbelt, but

they aren't that different and the non-utility stakeholders may bring up issues that the utilities may not consider if they're alone in the room.

CHAIR COGHILL referenced the statement that utilities are interested in utility business whereas REAP is interested in the public good. He pointed out that utilities are required to have a certificate of public convenience and the RCA requires that they operate in the public interest. Their mandate is to deliver reliable power at the lowest cost service.

MR. ROSE said he agrees and believes the utilities do a great job of meeting that mandate. However, when the ERO is certificated, REAP wants broad assurance that there is broad consensus and the ERO is working for the public interest.

[4:00:40 PM](#)

CHAIR COGHILL thanked Mr. Rose and invited Mr. Thayer to provide his testimony.

[4:00:54 PM](#)

CURTIS THAYER, Executive Director, Alaska Energy Authority (AEA), Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, stated that AEA's goal is to lower the cost of energy in Alaska. The authority accomplishes this through its assets, primarily Bradley Lake Hydroelectric Project and the Alaska Intertie transmission line, but also the Battle Creek Diversion Project.

He advised that AEA also operates rural programs in 195 communities in terms of Power Cost Equalization and is primarily responsible for the powerhouses, bulk fuel, and upgrades. Further, AEA supports rural communities by administering grants, including the Renewable Energy Fund (REF) and Power Project Fund (PPF).

MR. THAYER said his focus today is to discuss AEA's perspective of SB 123 as an asset owner of Bradley Lake and the Alaska Intertie. He related that Bradley Lake is currently managed by the Railbelt utilities and AEA participates in the Battle Creek Management Committee. The committee makes operational maintenance decisions and AEA receives feedback from outside agencies. The budget for required improvements is not affected by SB 123. The state does not give away any of its fiduciary rights or responsibilities, but still has clear rights on budgeting matters on AEA assets. The Alaska Intertie still has the maximum intertie transfer capacity rights. It is managed by

the utilities through an Intertie Management Committee, similar to the Bradley Project Management Committee, for operational maintenance decisions.

4:03:18 PM

MR. THAYER, in response to Chair Hopkins, advised that the acronym BPMC stands for the Bradley Project Management Committee which is composed of participants from all six of the utilities and AEA.

He opined that the less prescriptive and more intentional approach in SB 123 for energy policy is preferable, particularly when looking back at legislative intent. It ensures that the Regulatory Commission of Alaska (RCA) will play a proper regulatory role and allows maximum flexibility for the electric reliability organization to create rules of the road and meet Alaska's specific situations.

MR. THAYER suggested that planning functions should be closely aligned with a statewide effort and flexibility, and bifurcation should be maintained. He said a combination of new technologies and synergy among the utilities currently exist, so SB 123 is the right vehicle at the right time. The AEA has worked very closely in the past year with utilities in addressing the issues related to the Swan Lake fire and the SQ line [Soldotna Substation to Quartz Creek Substation].

He reported that the Swan Lake fire cost utilities and the ratepayers north of Homer approximately \$12 million during the four-month period when the line was down. Collectively, the AEA and the utilities learned a lot during that process, not only on that section of line, but also regarding the need to improve transmission lines throughout the state. SB [123] will provide a very deliberate consideration of the right mix of technical expertise and regulatory oversight. If successful, it will benefit ratepayers and lower energy costs.

CHAIR COGHILL asked him to submit his comments in writing.

MR. THAYER agreed to provide them.

4:06:03 PM

SENATOR GIESSEL requested an explanation of why the RCA does not regulate Bradley Lake.

MR. THAYER replied it was an agreement related to project bonding that was reached during construction. He said the bonds

will be paid off next year so there will likely be a conversation about regulation at that time. He related that the AEA and utilities are currently improving Bradley Lake with the \$47 million Battle Creek Diversion Project, which will increase Bradley Lake hydroelectric production by about ten percent. He pointed out that while Bradley Lake bonds will be paid off next year, the Battle Creek bonds will continue. The AEA is in the very beginning stages of repaying those bonds, he said.

4:07:07 PM

SENATOR MICCICHE said the committee needs to understand that HEA (Homer Electric Association, Inc.) did not benefit from the Swan Lake fire. HEA was forced to use generation capacity that it planned to use this spring, so it will need to supplement fuel gas in the system. No one benefitted; it was an unfortunate situation that affected everyone negatively, he said.

CHAIR COGHILL commented that the ratepayers on the northern end of the Alaska Intertie are very well aware of that.

MR. THAYER said it was not his intention to suggest HEA benefitted when he highlighted the figures for the five utilities on the north end that were cut off from power. Homer was affected by a completely different set of circumstances. He said the issue at hand was that the line was down and hydroelectric was not available to the utilities north of Homer. He noted that hydroelectric costs approximately \$.04 per kilowatt compared to gas at \$.08 per kilowatt. He reiterated that it was not his intention to slight Homer in any way.

SENATOR MICCICHE said he understood.

4:08:28 PM

CHAIR COGHILL asked about the tension created by AEA being part of a reliability group when it works as both a utility and in energy management.

MR. THAYER answered that AEA's role is as a state entity viewing the process holistically. The state owns Bradley Lake and the Alaska Intertie, so the AEA must keep its distance, he said. The AEA is part of the process and has worked with the utilities but chose not to be a party to the Memorandum of Understanding. Nor did the utilities ask the AEA to be a party to the MOU, he said.

CHAIR COGHILL said he thinks that all those things are considered as an ERO is formed.

[4:09:57 PM](#)

CHAIR HOPKINS recognized that Representative Pruitt had joined the committee.

He asked if the AEA, as owner and operator of the Alaska Intertie from Anchorage to Fairbanks, sees a need for any upgrades to the system to allow for better reliability, especially as the Golden Valley Electric Association (GVEA) mentioned earlier that the power line went down in the dead of winter.

MR. THAYER clarified that AEA has the portion of the Alaska Intertie from Willow to Healy. Golden Valley Electric Association has the portion from Healy to Fairbanks. He referred to a 10-year old study that considered the Railbelt needs as a whole. It identified close to \$1 billion in overall projects needed for upgrades or improvements. He said AEA would like to reevaluate that study since technology and utility ownership has changed since then. He suggested that AEA needs to look from Homer to Fairbanks because Bradley Lake hydroelectric provides power to Fairbanks. That is a key component but there is potential line loss up to 40 percent, depending on the time of year and the constraints on the transmission line. He opined that the AEA needs to find ways to un-constrain the power from Bradley Lake. It is the largest hydroelectric project in the state and it provides the cheapest source of power.

CHAIR COGHILL asked if that wouldn't be part of the resource planning as contemplated in SB 123.

MR. THAYER answered yes.

[4:12:03 PM](#)

CHAIR COGHILL thanked Mr. Thayer and invited Mr. Mitchell to deliver his PowerPoint.

[4:12:40 PM](#)

DUFF MITCHELL, Executive Director, Alaska Independent Power Producers Association (AIPPA), Juneau, Alaska, began the PowerPoint by displaying the logos of AIPPA's nine members from across the state. He explained that AIPPA is a support group that shares lessons learned regarding how individual IPPs have dealt with integrating with individual utilities and working with the RCA. He said this very useful group has been instrumental in moving the needle toward more competitive power in the state. To provide context, he said 42 percent of the

nation's power comes from independent power producers whereas it's 4 percent in Alaska, as noted on slide 3.

He relayed that the model for the ERO and the Railbelt organizations comes from the Electric Reliability Council of Texas (ERCOT) where 78 percent of the state's power comes from IPPs. He opined that IPPs in Alaska will continue to grow and play a larger role going forward.

[4:15:01 PM](#)

MR. MITCHELL said he mentioned this because one of the key recommendations in 2016 when the U.S. Department of Energy analyzed Alaska's energy situation was to increase the role of independent power producers and other third-party service providers in Alaska. He said the IPPs have proven they can do this in Alaska. They are nimble and use private investment to accelerate the option of innovative technologies. He described Alaska as the breadbasket of energy nationwide. It has about 45 percent of the nation's untapped hydropower, two-thirds of the coastline for offshore wind, rivers available for hydrokinetic, renewable energy resources, and nonrenewable energy resources.

[4:16:06 PM](#)

MR. MITCHELL said he worked on Alaska's Energy Policy in 2010 and it is aspirational rather than directional. When he testified before the Regulatory Commission of Alaska, he learned that the RCA does not believe it pertains to the agency because the policy is not codified.

He stated support for SB 123 and HB 151 on behalf of AIPPA. The bills are not perfect, but his belief is that they will evolve and improve.

[4:18:46 PM](#)

MR. MITCHELL outlined three points on slide 8 to highlight AIPPA's consistent position. First, Alaska should adopt an open access transmission tariff (OATT) so those connecting to the system would pay the same tariff as the owners. He said transmission is the highway to the market, but it can also be a barrier. For example, when a solar or wind project cannot get on the transmission line to market its power. The organizational development team (ODT) has recognized this dilemma in its memorandum of understanding (MOU). It is also mentioned in the bills and shown in the language on slide 9. He expressed a preference for changing the word "may" to "shall" because "may" is aspirational.

MR. MITCHELL said AIPPA also supports an independent board of directors. He paraphrased the language on slide 10, "Every Transmission Organization in the US has strong regulation and code of ethics requiring an Independent Board of Directors." He said AIPPA recognizes that Alaska's population is smaller, so it will be difficult to find people with the expertise to serve on the board and be completely independent from their organization. He emphasized the need for independence for both utilities and non-utilities. Board members should also have a fiduciary responsibility to the transmission organization rather than their specific interests, he said. Without strong independent organizations, Alaska will risk unintended consequences such as the creation of oligopolies or cartels, he said.

[4:20:20 PM](#)

MR. MITCHELL said AIPPA appreciates the commitments made by the ODT and utilities to date as shown in the language on slide 12:

Regulatory compact (contractual commitment) with the State of Alaska.

Commitment that the utilities will be bound by the decisions of the RRC.

Commitment of the utilities to support statutory language to provide the RCA authority to regulate the RRC as described in the MOU.

Commitment of the utilities to be inclusive of a variety of perspectives in decisions relating to the Railbelt bulk electric system.

Commitment of the utilities to participate with one another and non-utility stakeholders to achieve benefits for ratepayers across the Railbelt region.

[4:20:54 PM](#)

MR. MITCHELL reviewed slide 13, highlighting the importance of cybersecurity, integrated resource planning (IRP), and project pre-approval. Because of the military bases in Alaska, he said he was pleased to see the legislation address cybersecurity. He noted that some schools and cities in Alaska have already been affected.

MR. MITCHELL said SB 123 also provides the necessary tools for integrated resource planning (IRP) and project pre-approval. He

said integrated resource planning doesn't need to be expensive, but it does need public participation. IRPs are commonly used in the Lower 48, which results in better decisions.

He said most states have project pre-approval in code. The RCA does not have this authority, but it is important in not just the Railbelt but statewide. He also suggested that some reference to the state energy policy could be mentioned in the bill.

[4:22:57 PM](#)

MR. MITCHELL summarized the six points on slide 14. First, Alaska has abundant resources. Second, Alaskans deserve lower cost power. Third, Alaskans deserve diversity of sources of electrical generation for energy security. Fourth, Alaskans deserve open access transportation tariffs (OATT) to create a level playing field. Fifth, Alaskans need the RCA to have the statutory tools including integrated resource planning, project pre-approval, and cybersecurity. Finally, the AIPPA views SB 123/HB 151 and the establishment of the ERO as a foundational road map to achieve lower electrical costs. While significant work still needs to be done, he suggested that the state is moving beyond gridlock.

MR. MITCHELL concluded that collaboration and cooperation represent the new approach and he hopes it will continue.

[4:24:13 PM](#)

CHAIR COGHILL questioned whether the open tariff would come out of the ERO through integrated planning or if it would need to be a statutory requirement.

MR. MITCHELL responded that the bill says "may" and IPPA prefers stronger language to ensure open access to eliminate any barriers. Most utilities agree, he said.

CHAIR COGHILL asked if he sees that the ERO will structure itself to have input from IPPs.

MR. MITCHELL answered yes. He said he sees the current commitment, but if that commitment wanes in three years, the current language will not provide the same statutory strength. He said there were problems in the past and he wants to move beyond fractiousness.

CHAIR COGHILL suggested that the bill reduces the number of "doors" from six or eight plus the RCA to just one to knock on for approval.

MR. MITCHELL replied he agrees, so long as the open access covers the entire grid and isn't a two-step process.

CHAIR COGHILL said he favors that approach. He added that he would like the listening public to understand that the committee wants to take all the input, yet still come up with a simple and discrete way to accomplish it.

[4:26:53 PM](#)

CHAIR COGHILL thanked Mr. Mitchell and invited Ms. di Suvero to testify.

[4:27:19 PM](#)

VERI DI SUVERO, Executive Director, Alaska Public Interest Research Group (AKPIRG), paraphrased the following prepared testimony: [Original punctuation provided.]

Introduction

To the chair and the committee, hello and thank you for inviting me to speak. My name is Veri di Suvero and I am the Executive Director of the Alaska Public Interest Research Group (AKPIRG).

We were founded in 1974 and are the State's only non-partisan non-profit organization advocating specifically in the interest of the public and consumers. We are a 501(c)3, state-wide organization. As part of our work, we advocate on behalf of ratepayers. I recently found a filing from AKPIRG petitioning to intervene in a rate case to the RCA from 1976. In 1986, we were canvassing about least-cost energy planning with utilities.

I started as Director a little over a year ago, and have had a bunch of very patient teachers, from a range of stakeholders on this issue. I want to start by expressing my gratitude to them—from utility representatives in each service area, to the Regulatory Commission, to non-utility stakeholders, and once again to this body for helping Alaskan ratepayers.

I am not here as a technical expert. I am here as a consumer representative, and it is AKPIRG's belief that I do not need to know everything that goes on behind my light switch to know that my utility bill is one of the highest in the nation.

In addition to advocating for cost-effective and reliable service, AKPIRG advocates in the public's interest. That entails a few things, including transparency and accessible information to consumers. As a research group, accessible information means both transmitting information already presented, and also compiling some of our own—from going to the RCA to look at tariffs for residential consumer rates, to explaining various acquisition or other electric utility proceedings to stakeholders. It's critical to start with the basic numbers, with actual consumers and the direct impacts of rate changes.

As Commissioner Scott testified last Friday, consumers could save \$17 million in a yearly aggregate, with just an efficiency increase of 2%.

SB 123 and HB 151 could not be coming at a better time. This is a critical first step, and to me it underscores the timeliness of ensuring these efficiency increases are possible.

Integrated Resource Planning

Along with transparency and accessible information, it is necessary to ensure a planning process that benefits not just one utility's membership, but all consumers. Plans are important for their cost-savings purposes, and also for the important sake of having a plan, ensuring a more certain and predictable path forward.

As a consumer interest organization, it would be inappropriate to speak for all consumers and their needs. But helping develop a plan and thereby ensuring predictability, as well as substantial opportunities to participate in that planning process, is AKPIRG's role in this space.

Right now, that predictability is a big question. As the price of fuel is fluctuating, a consumer does not

have an easy time of budgeting. And with emerging technologies like new battery storage, there are many exciting paths forward.

As it stands now, without a planning body to create longer-term integrated resource planning, consumers are footing the bill of that uncertainty. Building out long-term economic models is crucial, so that individual consumers as well as larger consumers can budget correctly for their future.

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AKPIRG is not here to speak negatively about how electrical utilities have taken care of their ratepayers--we are very lucky in the railbelt region to have cooperatives that are so responsive and dedicated to their members. And although the grid could now be most efficiently served, if built from scratch today, by just one utility, the history and formation of these utilities is reflective of their dedication to their consumers.

In fact, ensuring their members are best served has been a big reason why, as a statewide organization, AKPIRG is excited for an additional, regional approach to planning. This is because regional planning has not been consistently done together. As an example, through the past decade there have been four new generation plants built on the railbelt, costing ratepayers an estimated \$1.49 billion. And this is for a population size, as Commissioner Scott said, that could be served by one utility--and by the equivalent of a half of one power plant in the lower 48.

This increased spending creates costly inefficiencies, higher rates, and a higher barrier to enter an energy market that doesn't need more energy producers. To our estimation, none of these things serves the consumers' interests. The costs of this infrastructure have been pushed to the end-user, or the consumer. And by building non-renewable sources in a small balancing area, renewables are prevented from attaching from the grid--preventing a diversity of energy sources which would stabilize costs in the region. As it stands, 85% of our energy portfolio is made up of non-renewable sources.

These inefficiencies are part of what pushed the RCA and legislature to investigate what a regional planning body--and specifically an Independent System Operator--would look like. And the RCA's work, as well as the legislature's, to ensure greater cooperation between utilities, as well as cost-savings through greater efficiency and integrated resource planning, is impressive and necessary.

That's partly why SB 123/HB 151 and the RRC, while not solving everything, will introduce a regional planning approach (or Integrated Resource Planning) and we're incredibly excited to see this necessary step happen. I want to thank and give my appreciation to everyone who has spent decades on seeing this important process to an almost-reality.

AKPIRG's involvement

AKPIRG does a lot of public outreach on electric utility issues, and I go through this railbelt history and this need for energy efficiency in AKPIRG's consumer forums. I also talk about how we have a pretty incredible model in Alaska, with utilities that are really in it for their members. Part of the work AKPIRG does is to talk with and educate members about what it means to participate in their utility--much like the public arena, participation may seem daunting, but is critical to ensuring that representative bodies can hear from their constituents.

As a little more background about our involvement with electric utilities: we endorse candidates regionally, we have staff in Fairbanks working on energy issues as well as volunteers on the Kenai, and AKPIRG has a seat on the Chugach Reliability Group--a group of ratepayers advocating for safe work practices, reliability, and increased renewables at Chugach. Through member education events as well as these elections, we are able to help translate some of the wonkier happenings across the railbelt. This includes participating at the RCA and with the utilities on the MOU as requested.

Through our regional work, we consider the needs of all the consumers on the railbelt, not just members

(not everyone who has to budget for utility bills is a registered member) and we don't just consider the needs of each local cooperative. We recognize there is an important balance to strike to ensure that cooperatives maintain local control and responsiveness to their members, but without a body to also consider the needs of the entire region, members and ratepayers can lose out on cost-effective and energy efficient decisions, especially in the longer term.

AKPIRG Pillars

The good news is that we have incredible need for changes to be made, and in response we have seen historic movement on this front. We don't always expect the kind of current cooperation between utilities, but I am grateful and more hopeful because of it.

Given this, AKPIRG has identified the following top-level needs: the creation of an Electric Reliability Organization, successful cooperation between utilities, input from other stakeholders (and especially the public), and accountability within this process in the public's interest.

To that end, AKPIRG's comments on SB 123 are as follows:

- The RRC should not be drafting regulations. It is critical that the RCA maintain control over the RRC decision-making process. As Commissioner Scott testified, the RRC will have available to it many experts on technical and process matters. That said, the RRC has been established, as provided in the MOU, to "ensure reliability benefits to electric consumers in the Railbelt." Reliability benefits do not encompass a public interest determination--that is the purview of the RCA. At the RCA, anyone can be involved in a rulemaking process. Right now, the formation and structure of the RRC is uncertain, and so--with that question of stability in mind--it is in the public's interest to have regulations made where they can have the most direct input: at the RCA.

-Increased opportunities for public participation. AKPIRG suggests--and did so to the utilities last week,

without opposition—to add 'public participation and comment' wherever 'public comment' occurs, in order to allow for as open, engaged, and transparent a process as possible.

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MS.DI SUVERO referenced Senator Coghill's earlier question and said she agrees that the utilities represent some of the stakeholder needs but thus far the process at the RRC level has been utility-driven. She opined that that is the distinction between the process so far in terms of involving stakeholders on the same plane, and what it could be going forward.

CHAIR COGHILL asked if she sees a healthy tension in that the ERO has to answer to the RCA for its organizational structure and integrated resource planning.

MS.DI SUVERO answered absolutely and she is pleased that the RRC is not mixed in SB 123. She noted that the RRC has two ex officio members, one from the Regulatory Commission of Alaska (RCA) and the other from the Regulatory Affairs & Public Advocacy (RAPA).

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CHAIR COGHILL pointed out that the RRC may or may not ultimately be certified as the ERO. He suggested that her testimony could be misinterpreted that the decision had been made, but it has not.

MS.DI SUVERO said she didn't intend to make that assumption.

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CHAIR HOPKINS asked how she sees it working in practice if the language "public participation and comment" were to replace the term "public comment" whenever it occurs.

MS. DI SUVERO said she didn't want to influence how that language could be seen in the future but in other models it includes robust public participation at meetings and during the formation of policy and planning. She said the idea of hosting consumer forums and having other types of input in the process is critical, even with the RCA as the backstop for whatever ERO is formed. She shared that AKPIRG is applying to the consumer seat if the Railbelt Reliability Council is approved.

CHAIR COGHILL emphasized that the reliability organization is structured to have various different voices and that includes

healthy public input. He added that whenever the RCA is involved, public input is required.

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MS. DI SUVERO returned to her prepared comments on SB 123:

-Pass SB 123. Most importantly, AKPIRG feels it is necessary to pass this bill. Without the ability to move forward with the RRC under the RCA's jurisdiction, this will cost consumers millions. This past summer, the transmission line Bradley Lake was out of commission from August until recently, in December. That left all utilities except Homer without the cheapest source of power on the grid: Hydro. It cost Southcentral and Interior ratepayers roughly \$11.8 million, according to reporting by Elwood Brehmer. This legislation will help create a more resilient and redundant system as our region faces increasing wildfires and other severe weather events.

Pass the bill as is. We feel that too many substantive changes will slow down this process and undermine the years-long efforts thus far of the six electric utilities, other stakeholders (including AKPIRG), the Regulatory Commission, and this body. This bill is an outgrowth of what the RCA has learned and reflects their recommendations based on 2015 substantive recommendations for reform. There are clear topical changes needed, like dates, but our worst-case scenario is for this body to spend so long incorporating and deliberating over the changes that the utilities are proposing that the bill does not pass. To our estimation, as it is written, SB 123 and HB 151 substantially serves consumers and the public's interest, and is a necessary and critical step forward.

I am remarkably grateful to be invited to testify and want to express my appreciation for your undertaking this important step forward in a way that will provide major benefits to consumers, and the public.

[4:46:18 PM](#)

CHAIR COGHILL thanked Ms. di Suvero for her testimony and consistent policy push for the consumer. He asked her to briefly describe AKPIRG's membership.

MS. DI SUVERO reported that AKPIRG has four paid employees in addition to herself, one of which is in Fairbanks. Their membership base in the Railbelt region is about 50, they work in partnership with about 20 affiliated organizations, and they reach about 10,000 people statewide.

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CHAIR COGHILL asked Mr. Rose to describe REAP's membership.

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MR. ROSE stated that REAP has about 77 paid member organizations that fall into one or more categories as businesses or electric utilities. They have electric utilities in both the Railbelt and rural Alaska. Homer Electric, Chugach Electric, and Matanuska Electric serve on the REAP Board of Directors. Non-governmental organizations, educational institutions, Native corporations, and developers are also represented in their membership. Additionally, there are hundreds of people who support REAP through donations. REAP's mailing list reaches about 3,500 people. It is a broad, statewide group that's been around for 16 years.

CHAIR COGHILL highlighted that both REAP and AKPIRG speak from broad perspectives.

[SB 123 was held in committee.]

[4:54:20 PM](#)

There being no further business to come before the committees, the Senate Special Committee on Railbelt Electric System and the House Special Committee on Energy meeting was adjourned at 4:54 p.m.