

ALASKA STATE LEGISLATURE  
SENATE RAILBELT ELECTRIC SYSTEM

February 12, 2020  
9:04 a.m.

**MEMBERS PRESENT**

Senator John Coghill, Chair  
Senator Peter Micciche  
Senator Cathy Giessel

**MEMBERS ABSENT**

Senator Elvi Gray-Jackson  
Senator Mike Shower

**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

**BILL: SB 123**

SHORT TITLE: ELECTRIC RELIABILITY ORGS; TELECOM CO-OPS  
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 |
| 01/29/20 | (S) | Heard & Held                      |
| 01/29/20 | (S) | MINUTE(RBE)                       |
| 01/31/20 | (S) | RBE AT 3:30 PM BUTROVICH 205      |
| 01/31/20 | (S) | Heard & Held                      |
| 01/31/20 | (S) | MINUTE(RBE)                       |
| 02/03/20 | (S) | RBE AT 3:30 PM BUTROVICH 205      |

02/03/20 (S) Heard & Held  
02/03/20 (S) MINUTE (RBE)  
02/06/20 (S) RBE AT 1:30 PM BUTROVICH 205  
02/06/20 (S) -- Public Testimony --  
02/12/20 (S) RBE AT 9:00 AM FAHRENKAMP 203

#### **WITNESS REGISTER**

RENA MILLER, Staff  
Senator Cathy Giessel  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the changes from Version M to Version K CS for SB 123.

#### **ACTION NARRATIVE**

[9:04:56 AM](#)

**CHAIR JOHN COGHILL** called the Senate Special Committee on Railbelt Electric System meeting to order at 9:04 a.m. Present at the call to order were Senators Micciche, Giessel, and Chair Coghill.

#### **SB 123-ELECTRIC RELIABILITY ORGANIZATIONS**

[9:05:31 AM](#)

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."

He solicited a motion to adopt the work draft committee substitute and noted that it generated a new title.

[9:06:07 AM](#)

SENATOR MICCICHE moved to adopt the work draft committee substitute (CS) for SB 123, work order 31-LS0959\K, as the working document.

[9:06:30 AM](#)

CHAIR COGHILL objected for an explanation of the changes.

[9:06:57 AM](#)

RENA MILLER, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, and on loan to the committee for the purposes of SB 123, reviewed the following changes between Version M and Version K:

Throughout: Changed references to 'bulk power system' and 'interconnected bulk power system' to 'interconnected bulk electric system'

CHAIR COGHILL asked if this comports with RCA terminology.

MS. MILLER answered yes. She continued:

Page 1, lines 1-5: [At the Chair's request] redrafted a more descriptive title. Page 1, line 11: Changed 'certified' to 'certificated' [to conform with other RCA statutes].

Page 1, line 11, to page 2, line 1:

Added provision specifying that a group of utilities all of which are exempt as municipal entities or political subdivisions of the state are exempt from the requirement to participate in an ERO.

She explained the drafters will relocate this provision to a more appropriate section of the bill. Instead of addressing the requirement of utilities to participate, it addresses the requirement to actually have an ERO.

Page 2, line 4: Changed 'certify' to 'certificate'.

Page 2, line 5: Changed 'certify' to 'certificate'.

Page 2, lines 7-8: Restructured to separate the provisions for applications and approval from the requirements an ERO must demonstrate in order to be approved. [A new subsection (c) is created.]

Page 2, line 24: Changed ['is'] to ['be'].

Page 3, lines 2-4: Added requirement for the RCA to, once regulations are written and bill is in effect, notify the [interconnected] load-serving entities in a system that an ERO is required.

Page 3, line 5: Added 'and certificate' after 'form' to clarify an ERO formed by the RCA also must be certificated.

Page 3, lines 7-12: Restructured provisions directing the RCA to form an ERO. The previous bill required the RCA to form an ERO if no one had applied to be an ERO within three months. The CS applies the notice requirement in (d) on page 2; once notice has been given, the RCA will form an ERO [if] no one has applied to be an ERO after 90 days. If someone has applied but the RCA has not certified an ERO within 270 days, the RCA shall form an ERO.

[9:11:09 AM](#)

SENATOR MICCICHE asked if the effective date of the bill starts the countdown for the required notification by the commission.

MS. MILLER answered yes. She continued.

Page 3, lines 13-17: Provides a process for the RCA to waive the requirement for a given network to have an ERO.

She explained that all the load-serving entities within the system would have to petition the RCA and explain why establishing an ERO for the network isn't necessary. This looks to the future and provides an opportunity for the RCA to not require an ERO if the circumstances of a particular network do not warrant it. She continued.

Page 3, lines 21-22: Emphasizes that all users, owners and operators of an interconnected system must comply with [reliability] standards; this includes entities that are otherwise exempt from RCA regulation.

Page 3, line 24: Changes 'adopted' to 'approved' to conform.

Page 3, line 27: Technical change to the structure of (g).

Page 4, lines 2-3: Prohibits standards from being designed with the intent to require enlarging facilities or new construction.

[9:13:23 AM](#)

Page 4, line 5: Clarifies that the commission must give public notice and hold a hearing before acting on a reliability standard filed by the ERO. Adds 'or reject' after 'approve'.

Page 4, lines 9-16: Lays out the new process the RCA must undertake to modify a standard. The RCA must give the ERO an opportunity to modify the standard.

CHAIR COGHILL said this gives the ERO authority to oppose a proposed modification, but the RCA retains the ultimate authority.

MS. MILLER agreed; the utilities felt it was important to have the opportunity for a back and forth process for modifying a standard. She continued.

9:14:44 AM

Page 4, lines 9-16: Lays out the new process the RCA must undertake to modify a standard. The RCA must give the ERO an opportunity to modify the standard.

Page 5, lines 4-5: Clarifies that penalties imposed by the ERO can be appealed to and reviewed by the commission. [But penalties imposed by the commission do not get reviewed by the commission.]

Page 5, line 11: Conforms to new lettering of subsections enabling penalties.

Page 6, line 1: Removed a provision that the RCA may require an ERO to obtain a certificate of public convenience and necessity (CPCN). An ERO is already required to have a CPCN under Sec. 42.05.292 (b) on page 2.

Page 6, line 7: Changes 'electric utility' to 'load-serving entity' to conform with defined terms.

Page 6, line 9: Deletes requirement to 'prepare' before 'file'. Specifies that an integrated resource plan must be filed with the RCA as a petition for approval.

Page 6, line 11: Changes 'most cost-effective manner' to 'in a manner that provides the greatest value.'

Page 6, line 15: Adds battery storage to the options an integrated resource plan should consider.

9:17:14 AM

SENATOR MICCICHE noted that this does not affect projects in process, just future projects.

MS. MILLER clarified that this section addresses integrated resource planning and what it would include. The ERO would not get started on the IRP until it has been certified by the RCA. She suggested he may be thinking about the project pre-approval requirement that goes into effect on the effective date of the bill, July 1, 2021. The RCA must write regulations addressing how to handle projects undertaken between the effective date and the time an IRP is accepted by the commission.

9:18:22 AM

MS. MILLER continued.

Page 6, line 17: Changes 'at the lowest cost' to 'in a manner that provides the greatest value'.

Page 6, line 18: Adds conservation activities to conform with the options an integrated resource plan should consider.

Page 6, line 19: Adds 'public' before 'notice'.

Page 6, line 20: Changes 'submitted' to 'filed'.

Page 6, lines 21-31: Incorporates a new process for the RCA's handling of a petition to approve an integrated resource plan. Within 45 days of receipt, the RCA must approve the plan or open a docket for investigation. If the RCA decides the plan should be modified, it must return the plan to the ERO for changes. The RCA retains the backstop ability to modify a plan.

Page 7, line 10: Adds 'and greatest value' to the terms the RCA will define in regulation.

Page 7, line 24: Changes 'the most cost-effective manner' to 'a cost-effective manner'.

Page 7, lines 29-30: Clarifies that refurbishments and capitalized maintenance do not require preapproval by the RCA.

Page 7, line 31, to Page 8, line 6: Requires the RCA to adopt regulations related to project pre-approval, including defining refurbishments and capitalized maintenance; giving local governments jurisdiction over local planning decisions; and how the RCA will address projects that are started before an integrated resource plan is approved.

Page 8, line 11: Adds 'above-ground' to the transmission line description.

Page 8, line 13: Increases the length of a high-voltage, above-ground transmission line requiring project pre-approval from 5 to 10 miles.

Page 8, lines 14-16: Separates high-voltage submarine or underground cables from above-ground lines and requires pre-approval if longer than 3 miles.

Page 8, lines 17-22: Adds, to projects requiring pre-approval, energy storage devices and reactive compensation devices. Definitions are renumbered.

Page 8, line 30: Changes 'certified' to 'certificated'.

Page 9, line 2: Renames 'bulk-power system' to 'interconnected bulk-electric system' and re-alphabetizes the list of defined terms.

Page 9, line 4: In definition for interconnected bulk-electric system, clarifies the interconnected entities must be load-serving entities.

Page 9, line 20: Updates the date by which the RCA must adopt regulations to July 1, 2021.

Page 9, line 25: Updates the effective date of the bill to July 1, 2021.

MS. MILLER said that concludes the summary of changes.

CHAIR COGHILL said he was unable to withdraw his objection at this time because he didn't have a quorum. He relayed that there would be public comment on Friday and he would entertain amendments at that time. He advised that he and Ms. Miller have talked with all parties to ensure that the changes in Version K conform to what has been discussed and answer the questions that have been brought forward.

[9:24:35 AM](#)

SENATOR MICCICHE commented that subsection (f) on page 3, lines 13-17, was an interesting addition. It says that if the utilities as a group unanimously agree to go in a different direction, they have the right to petition the commission for an exemption from the bill.

MS. MILLER agreed that with unanimous agreement [the load-serving entities within an interconnected bulk-electric system] would have the ability to petition to waive the need for an ERO, but project pre-approval would still apply. She explained that the provision is trying to account for circumstances that may exist in the future where the responsibilities within the network are well understood so there is not the clear benefit of requiring formation of an ERO.

CHAIR COGHILL added that it is trying to allow for new production and laying out the rules.

[9:26:53 AM](#)

CHAIR COGHILL reiterated that public testimony would be heard during the next hearing and he would entertain amendments, including the one previously described to relocate the provision on page 1.

MS. MILLER agreed that there would be several fine-tuning amendments and that testimony would be taken from stakeholders who would be directly impacted by the legislation.

CHAIR COGHILL held SB 123 in committee.

SENATOR MICCICHE expressed the desire to hear from the utilities and encouraged robust participation. He stated support for many of the improvements.

CHAIR COGHILL advised that the CS was posted to BASIS and had been distributed to stakeholders.

[9:29:39 AM](#)

There being no further business to come before the committee, Chair Coghill adjourned the Senate Special Committee on Railbelt Electric System meeting at 9:29 a.m.