

**CS FOR HOUSE BILL NO. 307(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 5/7/24**

**Referred: Rules**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Regulatory Commission of Alaska; relating to regulation of**  
2 **public utilities and pipeline carriers; relating to approval of wholesale power**  
3 **agreements; relating to preapproval for construction of energy facilities; relating to**  
4 **electric reliability organizations; relating to the taxation of new electricity generation**  
5 **facilities; relating to the Alaska Energy Authority; relating to the Railbelt Transmission**  
6 **Organization; and providing for an effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 **\* Section 1.** AS 39.25.110(11) is amended to read:

9 (11) the officers and employees of the following boards, commissions,  
10 and authorities:

11 (A) [REPEALED]

12 (B) Alaska Permanent Fund Corporation;

13 (C) Alaska Industrial Development and Export Authority;

1 (D) Alaska Commercial Fisheries Entry Commission;

2 (E) Alaska Commission on Postsecondary Education;

3 (F) Alaska Aerospace Corporation;

4 (G) [REPEALED]

5 (H) Alaska Gasline Development Corporation and subsidiaries  
6 of the Alaska Gasline Development Corporation;

7 **(I) Alaska Energy Authority;**

8 \* **Sec. 2.** AS 42.04.020(f) is amended to read:

9 (f) Members of the commission are in the exempt service and are entitled to a  
10 monthly salary equal to a step in **Range 29** [RANGE 27] of the salary schedule in  
11 AS 39.27.011(a) for Juneau, Alaska. The chair of the commission is entitled to a  
12 monthly salary equal to a step in **Range 29** [RANGE 27] of the salary schedule in  
13 AS 39.27.011(a) for Juneau, Alaska.

14 \* **Sec. 3.** AS 42.05.254(a) is amended to read:

15 (a) A regulated public utility or a certificated utility that provides  
16 telecommunications services operating in the state shall pay to the commission an  
17 annual regulatory cost charge in an amount not to exceed the maximum percentage of  
18 adjusted gross revenue that applies to the utility sector of which the utility is a part.  
19 The regulatory cost charges that the commission expects to collect from all regulated  
20 utilities and certificated utilities providing telecommunications services may not  
21 exceed the sum of the following percentages of the total adjusted gross revenue of all  
22 regulated public utilities and certificated utilities providing telecommunications  
23 services derived from operations in the state: (1) not more than **.98** [.7] percent to fund  
24 the operations of the commission, and (2) not more than **.22** [.17] percent to fund  
25 operations of the public advocacy function under AS 42.04.070(c) and  
26 AS 44.23.020(e) within the Department of Law. An exempt utility that does not  
27 provide telecommunications services shall pay the actual cost of services provided to  
28 it by the commission.

29 \* **Sec. 4.** AS 42.05.381(e) is amended to read:

30 (e) The commission shall adopt regulations for electric cooperatives, [AND  
31 FOR] local exchange telephone utilities, **and refuse utilities**, setting a range for

1 adjustment of rates by a simplified rate filing procedure. A cooperative, [OR]  
 2 telephone utility, or refuse utility may apply for permission to adjust its rates over a  
 3 period of time under the simplified rate filing procedure regulations. The commission  
 4 shall grant the application if the cooperative, [OR] telephone utility, or refuse utility  
 5 satisfies the requirements of the regulations. **The commission shall adopt**  
 6 **regulations specific to refuse utilities that provide for sufficient public notice and**  
 7 **an opportunity for ratepayers to meaningfully comment on rate filings.** The  
 8 commission may review implementation of the simplified rate filing procedure at  
 9 reasonable intervals and may revoke permission to use the procedure or require  
 10 modification of the rates to correct an error. **In this subsection, "refuse utility"**  
 11 **means a utility furnishing collection and disposal service of garbage, refuse,**  
 12 **trash, or other waste material to the public for compensation.**

13 \* **Sec. 5.** AS 42.05.381 is amended by adding a new subsection to read:

14 (p) A determination of whether an electric utility's rate is just and reasonable  
 15 may consider whether the purpose of the rate is to increase diversity of supply,  
 16 promote load growth, or enhance energy reliability or energy security.

17 \* **Sec. 6.** AS 42.05.431(b) is amended to read:

18 (b) A wholesale power agreement between public utilities, or between a  
 19 **public utility and an independent power producer,** is subject to advance approval  
 20 of the commission. **A rate set in accordance with a wholesale power agreement**  
 21 **must reflect a tax exemption or government subsidy provided to a utility or**  
 22 **independent power producer.** After a wholesale power agreement is in effect, the  
 23 commission may not invalidate any purchase or sale obligation under the agreement.  
 24 However, if the commission finds that rates set in accordance with the agreement  
 25 **violate this subsection or** are not just and reasonable, the commission may order the  
 26 parties to negotiate an amendment to the agreement and if the parties fail to agree, to  
 27 use the dispute resolution procedures contained in the contract. **In this subsection,**  
 28 **"independent power producer" means a person, other than a public utility, that**  
 29 **owns or operates a facility for the generation of electricity; "independent power**  
 30 **producer" does not include a joint action agency established under AS 42.45.310.**

31 \* **Sec. 7.** AS 42.05.431 is amended by adding a new subsection to read:

1 (i) Costs incurred by an electric cooperative utility organized under AS 10.25  
 2 that participates in an electric reliability organization certificated by the commission  
 3 under AS 42.05.760 must be allowed in the rates charged by the utility if the costs are  
 4 approved by the utility's board of directors in connection with a new or purchased  
 5 renewable energy facility with a nameplate capacity of less than 15,000 kilowatts or  
 6 power purchased from a renewable energy facility with a nameplate capacity of less  
 7 than 15,000 kilowatts. In this subsection, "renewable energy facility" means a facility  
 8 that generates electricity from renewable and alternative energy resources, including  
 9 geothermal, wind, solar, hydroelectric, hydrokinetic, tidal, and biomass energy.

10 \* **Sec. 8.** AS 42.05.760(a) is amended to read:

11 (a) An electric utility must participate in an electric reliability organization if  
 12 the utility operates in an interconnected electric energy transmission network served  
 13 by an electric reliability organization certificated by the commission. The commission  
 14 may not require an electric reliability organization for an interconnected bulk-electric  
 15 system if

16 **(1) all of the load-serving entities operating in the interconnected bulk-**  
 17 **electric system are exempt under AS 42.05.711(b); or**

18 **(2) the sum of annual electric energy sales made by load-serving**  
 19 **entities operating in the interconnected bulk-electric system is less than 1,500,000**  
 20 **megawatt-hours.**

21 \* **Sec. 9.** AS 42.05.762 is amended to read:

22 **Sec. 42.05.762. Duties of an electric reliability organization.** An electric  
 23 reliability organization shall

24 (1) develop reliability standards that provide for an adequate level of  
 25 reliability of an interconnected electric energy transmission network;

26 (2) develop integrated resource plans under AS 42.05.780(a);

27 (3) establish rules to

28 (A) ensure that the directors of the electric reliability  
 29 organization and the electric reliability organization act independently from  
 30 users, owners, and operators of the interconnected electric energy transmission  
 31 network;

1 (B) equitably allocate reasonable dues, fees, and other charges  
 2 among all load-serving entities connected to the interconnected electric energy  
 3 transmission network for all activities under AS 42.05.760 - 42.05.790;

4 (C) provide fair and impartial procedures for the enforcement  
 5 of reliability standards;

6 (D) provide for reasonable notice and opportunity for public  
 7 comment, due process, openness, and balancing of interests in exercising its  
 8 duties; [AND]

9 (4) be governed by a board that

10 (A) includes as nonvoting members the chair of the  
 11 commission or the chair's designee and the attorney general or the attorney  
 12 general's designee; and

13 (B) is formed as

14 (i) an independent board;

15 (ii) a balanced stakeholder board; or

16 (iii) a combination independent and balanced  
 17 stakeholder board; **and**

18 **(5) prioritize the reliability and stability of the interconnected**  
 19 **bulk-electric system served by the electric reliability organization while**  
 20 **considering cost to the consumer.**

21 \* **Sec. 10.** AS 42.05.770 is amended to read:

22 **Sec. 42.05.770. Regulations.** The commission shall adopt regulations  
 23 governing electric reliability organizations, reliability standards, and modifications to  
 24 reliability standards consistent with this section. Regulations under AS 42.05.760 -  
 25 42.05.790 must

26 (1) require that an electric reliability organization's tariff include

27 [(A) STANDARDS FOR] nondiscriminatory **standards for**  
 28 [OPEN ACCESS TRANSMISSION AND] interconnection;

29 [(B) STANDARDS FOR TRANSMISSION SYSTEM COST  
 30 RECOVERY;]

31 (2) provide a process to identify and resolve conflicts between a

1 reliability standard and a function, rule, tariff, rate schedule, or agreement that has  
2 been accepted, approved, adopted, or ordered by the commission;

3 (3) allow an electric reliability organization to recover its costs through  
4 surcharges added to the rate for each participating load-serving entity.

5 \* **Sec. 11.** AS 42.06.286(a) is amended to read:

6 (a) A pipeline carrier operating in the state shall pay to the commission an  
7 annual regulatory cost charge in an amount not to exceed the sum of the following  
8 percentages of gross revenue derived from operations in the state: (1) not more than  
9 .98 [.7] percent to fund the operations of the commission, and (2) not more than .22  
10 [.17] percent to fund operations of the public advocacy function under  
11 AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. A regulatory  
12 cost charge may not be assessed on pipeline carrier operations unless the operations  
13 are within the jurisdiction of the commission.

14 \* **Sec. 12.** AS 43.98 is amended by adding a new section to read:

15 **Article 2A. Taxation of New Electricity Generation Facilities.**

16 **Sec. 43.98.100. Taxation of new electricity generation facilities.** An  
17 electricity generation facility that is constructed and placed into service on or after  
18 July 1, 2024, is not subject to state and local ad valorem, income, and excise taxes if  
19 the electricity generation facility provides power only to a public utility. In this  
20 section, "public utility" has the meaning given in AS 42.05.990.

21 \* **Sec. 13.** AS 44.83.030 is amended to read:

22 **Sec. 44.83.030. Membership of the authority.** The members of the board of  
23 directors of the authority [ALASKA ENERGY AUTHORITY] are

24 (1) the commissioner of revenue;

25 (2) the commissioner of commerce, community, and economic  
26 development; and

27 (3) six public members appointed by the governor as follows:

28 (A) one member with expertise or experience in managing  
29 or operating an electric utility that is not connected to an interconnected  
30 electric energy transmission network as defined in AS 42.05.790;

31 (B) one member with expertise or experience in developing

1 energy projects in rural communities;

2 (C) one member with expertise or experience in managing  
 3 or operating an electric utility connected to an interconnected electric  
 4 energy transmission network as defined in AS 42.05.790;

5 (D) one member with financial expertise in large power  
 6 generation project development; and

7 (E) two members with expertise or experience in finance,  
 8 energy policy, energy technology, engineering, law, or economics [THE  
 9 MEMBERS OF THE ALASKA INDUSTRIAL DEVELOPMENT AND  
 10 EXPORT AUTHORITY].

11 \* **Sec. 14.** AS 44.83.030 is amended by adding new subsections to read:

12 (b) If the commissioner described in (a)(1) or (2) of this section is unable to  
 13 attend a meeting of the authority, the commissioner may, by an instrument in writing  
 14 filed with the authority, designate a deputy or director to act in the commissioner's  
 15 place as a member of the board at the meeting. For all purposes of this chapter, the  
 16 designee is a member of the board at the meeting.

17 (c) Public board members described in (a)(3) of this section serve for three-  
 18 year terms.

19 (d) If a vacancy occurs in the membership of the board, the governor shall  
 20 immediately appoint a member for the unexpired portion of the term.

21 \* **Sec. 15.** AS 44.83.040(a) is amended to read:

22 (a) The board of directors of the authority shall elect a chair and vice-chair  
 23 every two years from among its members [OF THE ALASKA INDUSTRIAL  
 24 DEVELOPMENT AND EXPORT AUTHORITY SHALL SERVE AS OFFICERS  
 25 OF THE ALASKA ENERGY AUTHORITY]. The powers of the authority  
 26 [ALASKA ENERGY AUTHORITY] are vested in the board of directors, and five  
 27 board members [FOUR DIRECTORS OF THE AUTHORITY] constitute a quorum.  
 28 Action may be taken and motions and resolutions adopted by the authority  
 29 [ALASKA ENERGY AUTHORITY] at a meeting by the affirmative vote of at least  
 30 five board members [A MAJORITY OF THE DIRECTORS]. The members of the  
 31 board of directors of the authority [ALASKA ENERGY AUTHORITY] serve

1 without compensation, but they shall receive the same travel pay and per diem as  
2 provided by law for board members under AS 39.20.180.

3 \* **Sec. 16.** AS 44.83.040 is amended by adding a new subsection to read:

4 (e) The authority may, as the authority considers advisable, appoint persons as  
5 officers, including an executive director, and employ professional advisors, counsel,  
6 technical experts, agents, and other employees. The executive director and employees  
7 of the authority are in the exempt service under AS 39.25.

8 \* **Sec. 17.** AS 44.83.080 is amended to read:

9 **Sec. 44.83.080. Powers of the authority.** In furtherance of its corporate  
10 purposes, the authority has the following powers in addition to its other powers:

11 (1) to sue and be sued;

12 (2) to have a seal and alter it at pleasure;

13 (3) to make and alter bylaws for its organization and internal  
14 management;

15 (4) to adopt regulations governing the exercise of its corporate powers;

16 (5) to improve, equip, operate, and maintain power projects and bulk  
17 fuel, waste energy, energy conservation, energy efficiency, and alternative energy  
18 facilities and equipment;

19 (6) to issue bonds to carry out any of its corporate purposes and  
20 powers, including the establishment or increase of reserves to secure or to pay the  
21 bonds or interest on them, and the payment of all other costs or expenses of the  
22 authority incident to and necessary or convenient to carry out its corporate purposes  
23 and powers;

24 (7) to sell, lease as lessor or lessee, exchange, donate, convey, or  
25 encumber in any manner by mortgage or by creation of any other security interest, real  
26 or personal property owned by it, or in which it has an interest, when, in the judgment  
27 of the authority, the action is in furtherance of its corporate purposes;

28 (8) to accept gifts, grants, or loans from, and enter into contracts or  
29 other transactions regarding them, with any person;

30 (9) to deposit or invest its funds, subject to agreements with  
31 bondholders;

1 (10) to enter into contracts with the United States or any person and,  
 2 subject to the laws of the United States and subject to concurrence of the legislature,  
 3 with a foreign country or its agencies, for the construction, financing, operation, and  
 4 maintenance of all or any part of a power project or bulk fuel, waste energy, energy  
 5 conservation, energy efficiency, or alternative energy facilities or equipment, either  
 6 inside or outside the state, and for the sale or transmission of power from a project or  
 7 any right to the capacity of it or for the security of any bonds of the authority issued or  
 8 to be issued for the project;

9 (11) to enter into contracts with any person and with the United States  
 10 and, subject to the laws of the United States and subject to the concurrence of the  
 11 legislature, with a foreign country or its agencies for the purchase, sale, exchange,  
 12 transmission, or use of power from a project, or any right to the capacity of it;

13 (12) to apply to the appropriate agencies of the state, the United States,  
 14 and a foreign country and any other proper agency for the permits, licenses, or  
 15 approvals as may be necessary, to acquire, construct, maintain, and operate power  
 16 projects in accordance with the licenses or permits, and to obtain, hold, and use the  
 17 licenses and permits in the same manner as any other person or operating unit;

18 (13) to enter into contracts or agreements with respect to the exercise  
 19 of any of its powers, and do all things necessary or convenient to carry out its  
 20 corporate purposes and exercise the powers granted in this chapter;

21 (14) to recommend to the legislature

22 (A) the pledge of the credit of the state to guarantee repayment  
 23 of all or any portion of revenue bonds issued to assist in construction of power  
 24 projects;

25 (B) an appropriation from the general fund

26 (i) for debt service on bonds or other project purposes;

27 or

28 (ii) to reduce the amount of debt financing for the  
 29 project;

30 (15) to carry out the powers and duties assigned to it under AS 42.45  
 31 **and AS 44.83.700 - 44.83.720;**

1 (16) to make grants or loans to any person and enter into contracts or  
2 other transactions regarding the grants or loans;

3 (17) to promote energy conservation, energy efficiency, and alternative  
4 energy through training and public education;

5 (18) to acquire a Susitna River power project, whether by construction,  
6 purchase, gift, or lease, including the acquisition of property rights and interests by  
7 eminent domain under AS 09;

8 (19) to perform feasibility studies and engineering and design with  
9 respect to power projects;

10 **(20) to acquire battery and other energy storage systems, whether**  
11 **by direct ownership, purchase, grant, gift, or lease.**

12 \* **Sec. 18.** AS 44.83.090(b) is amended to read:

13 (b) The authority is not subject to the jurisdiction of the Regulatory  
14 Commission of Alaska, **except as provided in AS 44.83.700(d).** Nothing in this  
15 chapter, **except as provided in AS 44.83.700 - 44.83.720,** grants the authority  
16 jurisdiction over the services or rates of a public utility or diminishes or otherwise  
17 alters the jurisdiction of the Regulatory Commission of Alaska with respect to a public  
18 utility, including any right the commission may have to review and approve or  
19 disapprove contracts for the purchase of electricity by a public utility other than  
20 wholesale agreements and contracts described in AS 42.05.431(c)(1).

21 \* **Sec. 19.** AS 44.83 is amended by adding new sections to read:

22 **Article 5A. Railbelt Transmission Organization.**

23 **Sec. 44.83.700. Railbelt Transmission Organization.** (a) The Railbelt  
24 Transmission Organization is created for the purpose of establishing a transmission  
25 cost recovery mechanism that ensures the actual, reasonable costs of owning and  
26 operating the backbone transmission system are recovered in a manner that

27 (1) eliminates per-unit wholesale transmission charges to increase the  
28 efficiency by which electricity service is provided;

29 (2) eliminates multiple pancaked rates; and

30 (3) equitably allocates costs among the load-serving entities connected  
31 to the backbone transmission system.

1 (b) For administrative purposes, the transmission organization is in the Alaska  
2 Energy Authority.

3 (c) The governance structure for the transmission organization must be made  
4 up of representatives from each of the Railbelt utilities to assist in administering the  
5 system of transmission cost recovery.

6 (d) Notwithstanding AS 44.83.090(b), the transmission organization is subject  
7 to the jurisdiction of the commission for the purposes of AS 44.83.700 - 44.83.720.  
8 The commission shall require the transmission organization to file tariffs to achieve  
9 the purposes of AS 44.83.700 - 44.83.720.

10 **Sec. 44.83.710. Revenue mechanism.** (a) The transmission organization shall  
11 hold and administer a commission-approved open access transmission tariff that  
12 ensures nondiscriminatory access to the backbone transmission system.

13 (b) The transmission organization shall file with the commission a  
14 transmission cost recovery methodology that ensures the reliability and sufficient  
15 capacity of the backbone transmission system to support and promote state and  
16 regional energy policies and a rigorous, dynamic economy. If the transmission  
17 organization does not file a transmission cost recovery methodology with the  
18 commission on or before July 1, 2025, the commission shall, after notice and  
19 opportunity for public comment, establish a transmission cost recovery methodology  
20 consistent with this section.

21 (c) The cost recovery methodology for the transmission organization must, as  
22 approved by the commission,

23 (1) pool backbone transmission system costs and allocate those costs  
24 through certificated load-serving entities on a coincident peak or load ratio share basis,  
25 or a combination of both; and

26 (2) account for

27 (A) required backbone transmission system ancillary services;

28 (B) backbone transmission system congestion;

29 (C) disruptions to the backbone transmission system that result  
30 in the isolation of one geographical area of the backbone transmission system  
31 from another for more than 24 hours; and

1 (D) costs to own and operate the backbone transmission  
 2 system, as established by the commission or by contract, including  
 3 transmission costs associated with the Bradley Lake hydroelectric project.

4 (d) A Railbelt utility shall pass the commission-approved transmission costs  
 5 directly and transparently to the utility's customers.

6 **Sec. 44.83.720. Definitions.** In AS 44.83.700 - 44.83.720,

7 (1) "backbone transmission system" means the transmission assets in  
 8 the Railbelt that facilitate the transfer of large-scale electrical power between or across  
 9 separate geographical areas; "backbone transmission system" does not include assets  
 10 that would be considered distribution facilities or radial facilities under the standards  
 11 established by the Federal Energy Regulatory Commission;

12 (2) "commission" means the Regulatory Commission of Alaska;

13 (3) "Railbelt" means the geographic region from the Kenai Peninsula  
 14 to Interior Alaska that is connected to a common electric transmission backbone;

15 (4) "Railbelt utility" means a public electric utility certificated to  
 16 operate in the Railbelt;

17 (5) "transmission organization" means the Railbelt Transmission  
 18 Organization established by AS 44.83.700.

19 \* **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to  
 20 read:

21 TRANSITION: ALASKA ENERGY AUTHORITY BOARD MEMBERS.  
 22 Notwithstanding AS 44.83.030(c), added by sec. 14 of this Act, the governor shall appoint  
 23 two public members of the initial Alaska Energy Authority board of directors to one-year  
 24 terms, two public members to two-year terms, and two public members to three-year terms.

25 \* **Sec. 21.** The uncodified law of the State of Alaska is amended by adding a new section to  
 26 read:

27 TRANSITION: RAILBELT TRANSMISSION ORGANIZATION. The Railbelt  
 28 utilities, as defined in AS 44.83.720, added by sec. 19 of this Act, shall form the Railbelt  
 29 Transmission Organization under AS 44.83.700, added by sec. 19 of this Act, on or before  
 30 January 1, 2025.

31 \* **Sec. 22.** Section 4 of this Act takes effect immediately under AS 01.10.070(c).

1     \* **Sec. 23.** Except as provided in sec. 22 of this Act, this Act takes effect July 1, 2024.