

SENATE BILL NO. 257

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Introduced: 3/1/24

Referred: Labor and Commerce, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Regulatory Commission of Alaska; relating to public utilities;**
2 **relating to electric reliability organizations; relating to the Alaska Energy Authority;**
3 **relating to the Railbelt Transmission Organization; and providing for an effective date."**

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

5 * **Section 1.** AS 42.04.020(a) is amended to read:

6 (a) The commission consists of five commissioners appointed by the governor
7 and confirmed by the legislature in joint session. To qualify for appointment as a
8 commissioner, a person must be a member in good standing of the Alaska Bar
9 Association or have a degree from an accredited college or university with a major in
10 engineering, finance, economics, accounting, business administration, or public
11 administration **and must have at least five years of actual experience in the**
12 **practice of law or in the field associated with the degree.** [ACTUAL
13 EXPERIENCE FOR A PERIOD OF FIVE YEARS IN THE PRACTICE OF LAW
14 OR IN THE FIELD OF ENGINEERING, FINANCE, ECONOMICS,

1 ACCOUNTING, BUSINESS ADMINISTRATION, OR PUBLIC
2 ADMINISTRATION IS EQUIVALENT TO A DEGREE.]

3 * **Sec. 2.** AS 42.05.381 is amended by adding a new subsection to read:

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

7 * **Sec. 3.** AS 42.05.762 is amended to read:

8 **Sec. 42.05.762. Duties of an electric reliability organization.** An electric
9 reliability organization shall

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

12 (2) participate in integrated grid planning conducted by the
13 Railbelt Transmission Organization under AS 44.83.730 [DEVELOP
14 INTEGRATED RESOURCE PLANS UNDER AS 42.05.780(a)];

15 (3) establish rules to

16 (A) ensure that the directors of the electric reliability
17 organization and the electric reliability organization act independently from
18 users, owners, and operators of the interconnected electric energy transmission
19 network;

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

23 (C) provide fair and impartial procedures for the enforcement
24 of reliability standards;

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

28 (4) be governed by a board that

29 (A) includes as nonvoting members the chair of the
30 commission or the chair's designee and the attorney general or the attorney
31 general's designee; and

1 (B) is formed as

2 (i) an independent board;

3 (ii) a balanced stakeholder board; or

4 (iii) a combination independent and balanced
5 stakeholder board; **and**

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

9 * **Sec. 4.** AS 42.05.765(a) is amended to read:

10 (a) An electric reliability organization shall **develop, monitor, and enforce**
11 **reliability standards that ensure the stable operation of the interconnected bulk-**
12 **electric system served by the electric reliability organization, coordinate with the**
13 **Railbelt Transmission Organization when developing reliability standards if the**
14 **electric reliability organization serves the Railbelt, and** file each reliability standard
15 or modification to a reliability standard with the commission as a new or revised tariff
16 provision. All users, owners, and operators of an interconnected electric energy
17 transmission network served by an electric reliability organization, including a user,
18 owner, or operator that is exempt from other regulation under AS 42.05.711 or another
19 provision of this chapter, shall comply with reliability standards contained in a tariff
20 that is approved by the commission. The commission may enforce a reliability
21 standard approved under this section. A reliability standard approved under this
22 section

23 (1) shall provide for the reliable operation of the interconnected
24 electric energy transmission network or of an interconnected electric energy
25 transmission network facility;

26 (2) may provide for

27 (A) protection from a cybersecurity incident;

28 (B) facility security;

29 (C) additions or modifications to an interconnected bulk-
30 electric system facility to the extent necessary to provide for reliable operation
31 of the interconnected electric energy transmission network;

1 (3) may result in, but may not be designed for the purpose of, requiring
 2 enlargement of interconnected bulk-electric system facilities or construction of new
 3 transmission capacity or generation capacity.

4 * **Sec. 5.** AS 42.05.770 is amended to read:

5 **Sec. 42.05.770. Regulations.** The commission shall adopt regulations
 6 governing electric reliability organizations, reliability standards, and modifications to
 7 reliability standards consistent with this section. Regulations under AS 42.05.760 -
 8 42.05.790 must

9 (1) [REQUIRE THAT AN ELECTRIC RELIABILITY
 10 ORGANIZATION'S TARIFF INCLUDE

11 (A) STANDARDS FOR NONDISCRIMINATORY OPEN
 12 ACCESS TRANSMISSION AND INTERCONNECTION;

13 (B) STANDARDS FOR TRANSMISSION SYSTEM COST
 14 RECOVERY;

15 (2)] provide a process to identify and resolve conflicts between a
 16 reliability standard and a function, rule, tariff, rate schedule, or agreement that has
 17 been accepted, approved, adopted, or ordered by the commission;

18 (2) [(3)] allow an electric reliability organization to recover its costs
 19 through surcharges added to the rate for each participating load-serving entity.

20 * **Sec. 6.** AS 42.05.772 is amended by adding a new subsection to read:

21 (b) A load-serving entity, including a load-serving entity otherwise exempt
 22 from regulation under this chapter, in an interconnected bulk-electric system served by
 23 an electric reliability organization shall adhere to the electric reliability organization's
 24 reliability standards and coordinate with the electric reliability organization and, if
 25 applicable, the Railbelt Transmission Organization to integrate the electric reliability
 26 organization's reliability standards into operational procedures.

27 * **Sec. 7.** AS 42.05.785(d) is amended to read:

28 (d) The commission shall adopt regulations

29 (1) governing project preapproval;

30 (2) defining refurbishment and capitalized maintenance; **and**

31 (3) maintaining municipal jurisdiction over local planning decisions [;

1 AND

2 (4) ADDRESSING PROJECTS UNDERTAKEN BEFORE
3 INTEGRATED RESOURCE PLAN APPROVAL FOR AN INTERCONNECTED
4 ELECTRIC ENERGY TRANSMISSION NETWORK].

5 * **Sec. 8.** AS 42.05.790 is amended by adding new paragraphs to read:

6 (8) "Railbelt" has the meaning given in AS 44.83.750;

7 (9) "Railbelt Transmission Organization" means the transmission
8 organization established by AS 44.83.700.

9 * **Sec. 9.** AS 44.83.080 is amended to read:

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

12 (1) to sue and be sued;

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

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

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

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

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

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

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

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

1 bondholders;

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

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

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

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

22 (14) to recommend to the legislature

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

26 (B) an appropriation from the general fund

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

28 or

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

31 (15) to carry out the powers and duties assigned to it under AS 42.45

1 **and AS 44.83.700 - 44.83.750;**

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

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

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

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

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

13 * **Sec. 10.** AS 44.83 is amended by adding new sections to read:

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

15 **Sec. 44.83.700. Railbelt Transmission Organization.** (a) The Railbelt
16 Transmission Organization is established in the Alaska Energy Authority for the
17 purpose of overseeing, managing, and developing the backbone transmission system
18 serving the Railbelt and conducting strategic planning to enhance the future transfer
19 capabilities, resilience, reliability, and efficiency of the backbone transmission system.

20 (b) The governance structure for the transmission organization must

21 (1) provide for oversight of the transmission organization by a
22 management committee that is made up of representatives from each of the Railbelt
23 utilities, the executive director of the authority, and the chief executive officer of the
24 applicable electric reliability organization;

25 (2) include a conflict resolution process; and

26 (3) facilitate public participation in the operations of the transmission
27 organization.

28 (c) Notwithstanding AS 44.83.090(b), the transmission organization is subject
29 to the jurisdiction of the commission. The commission shall adopt regulations under
30 AS 44.62 (Administrative Procedure Act) necessary to carry out its powers and duties
31 under AS 44.83.700 - 44.83.750, including defining by regulation the term "backbone

1 transmission asset."

2 **Sec. 44.83.710. Powers and duties.** (a) The transmission organization shall

3 (1) manage backbone transmission assets;

4 (2) follow reliability standards developed by the applicable electric
5 reliability organization;

6 (3) ensure the safe, resilient, reliable, efficient, and economical
7 operation and development of the backbone transmission system;

8 (4) preserve nondiscriminatory open access to the backbone
9 transmission system subject to legitimate technical constraints and congestion;

10 (5) maintain the capacity rights of legacy transmission owners to
11 access firm load and legacy generation resources served by the backbone transmission
12 system;

13 (6) perform integrated grid planning under AS 44.83.730;

14 (7) purchase, lease, or otherwise acquire effective operational control
15 of backbone transmission assets;

16 (8) construct, own, and operate new backbone transmission assets; and

17 (9) subject to the approval of the commission, establish tariffs related
18 to the backbone transmission system.

19 (b) The transmission organization may enter into contracts, agreements, and
20 partnerships that enhance safety, resiliency, reliability, and efficiency of the backbone
21 transmission system.

22 (c) The transmission organization may adopt regulations necessary to carry
23 out its powers and duties under this section.

24 **Sec. 44.83.720. Revenue mechanism.** (a) As approved by the commission, the
25 transmission organization shall

26 (1) hold and administer an open access transmission tariff that ensures
27 nondiscriminatory access to the backbone transmission system; and

28 (2) adopt a transmission cost recovery methodology that ensures the
29 reliability and sufficient capacity of the backbone transmission system to support and
30 promote state and regional energy policies and a vigorous, dynamic economy.

31 (b) The cost recovery methodology for the backbone transmission system

1 adopted by the transmission organization must pool backbone transmission system
2 costs and allocate those costs through certificated load-serving entities on a coincident
3 peak or load ratio share basis, or a combination of both, as approved by the
4 commission.

5 **Sec. 44.83.730. Integrated grid planning.** (a) At least once every 10 years,
6 the transmission organization shall, in consultation with stakeholders, create and
7 review an integrated grid plan for the Railbelt.

8 (b) The integrated grid plan must use a whole-system approach that integrates
9 planning across generation, transmission, and distribution resources to articulate the
10 strategic trajectory, operational blueprint, capital improvement funding requirements,
11 and developmental outlook for the interconnected electric energy system that serves
12 the Railbelt, considering projected load growth, technological advancement, fuel
13 supply projections, generation plans, safety, resiliency, reliability, efficiency, and
14 economic impacts.

15 (c) The transmission organization shall seek feedback and input from the
16 public throughout the integrated grid plan development process to ensure that the plan
17 reflects a broad range of perspectives and addresses community and industry concerns.

18 **Sec. 44.83.740. Transfer management of assets.** (a) To achieve the integrated
19 and streamlined governance of the backbone transmission system, the transmission
20 organization shall identify the existing backbone transmission assets that are part of
21 the backbone transmission system, and the Railbelt utilities shall transfer management
22 of those assets to the transmission organization on or before July 1, 2026.

23 (b) The authority shall transfer backbone transmission assets identified under
24 (a) of this section that are owned or managed by the authority to the transmission
25 organization.

26 (c) A Railbelt utility shall pay penalties as determined by the commission for
27 failure to transfer management of backbone transmission assets to the transmission
28 organization as required under this section.

29 **Sec. 44.83.750. Definitions.** In AS 44.83.700 - 44.83.750,

30 (1) "backbone transmission system" means the backbone transmission
31 assets of the interconnected electric energy transmission network that serves the

1 Railbelt;

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

3 (3) "interconnected electric energy transmission network" has the
4 meaning given in AS 42.05.790;

5 (4) "Railbelt" means the geographic region from the Kenai Peninsula
6 to Interior Alaska that is connected to a common electric transmission backbone;

7 (5) "Railbelt utility" means a public electric utility certificated to
8 operate in the Railbelt;

9 (6) "transmission organization" means the Railbelt Transmission
10 Organization established by AS 44.83.700.

11 * **Sec. 11.** AS 42.05.780 and 42.05.785(b) are repealed.

12 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 TRANSITION: REGULATIONS. (a) The Alaska Energy Authority and the
15 Regulatory Commission of Alaska shall adopt regulations necessary to implement the changes
16 made by sec. 10 of this Act. The regulations take effect under AS 44.62 (Administrative
17 Procedure Act), but not before the effective date of the law implemented by the regulation.

18 (b) Regulations adopted by the Alaska Energy Authority under (a) of this section
19 must include a governance structure for the Railbelt Transmission Organization established
20 under AS 44.83.700, added by sec. 10 of this Act, that is based on the governance structure of
21 the Bradley Lake Hydroelectric Project and the Bradley Lake Project Management
22 Committee, with modifications as the authority determines necessary after consulting with
23 other participants in the management committee under AS 44.83.700(b)(1), added by sec. 10
24 of this Act.

25 (c) Regulations adopted by the Regulatory Commission of Alaska under (a) of this
26 section must define by regulation the term "backbone transmission asset" to include assets
27 that facilitate the transfer of large-scale electrical power between or across separate
28 geographical areas but not assets that are distribution facilities or radial facilities, considering
29 the standards established by the Federal Energy Regulatory Commission.

30 (d) Regulations adopted under (a) of this section must include a backbone
31 transmission system revenue mechanism under AS 44.83.720, added by sec. 10 of this Act,

1 that is modeled after the provisions governing backbone transmission in 16 Texas
2 Administrative Code 25.192, as it reads on the effective date of this section, with
3 modifications as necessary.

4 * **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 TRANSITION: INITIAL INTEGRATED GRID PLAN AND CAPITAL
7 IMPROVEMENT PROGRAM. The Alaska Energy Authority shall immediately assume the
8 integrated grid planning duties under AS 44.83.730, added by sec. 10 of this Act, develop an
9 initial integrated grid plan as soon as practicable, and begin execution of a five-year grid
10 capital improvement program based on the plan as soon as practicable. The authority shall
11 transfer the responsibility for the plan and program to the Railbelt Transmission Organization
12 established under AS 44.83.700, added by sec. 10 of this Act, after the authority has adopted
13 regulations for the governance structure of the organization under sec. 12 of this Act.

14 * **Sec. 14.** Sections 12 and 13 of this Act take effect immediately under AS 01.10.070(c).

15 * **Sec. 15.** Except as provided in sec. 14 of this Act, this Act takes effect July 1, 2024.