

SENATE FINANCE COMMITTEE

May 2, 2024

9:12 a.m.

[9:12:53 AM](#)

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:12 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

ALSO PRESENT

Andrew Jensen, Energy Policy Advisor, Office of the Governor; Senator Cathy Giessel; Angela Rodell, Staff to Senator Giessel; Gwen Holdmann, Alaska Center for Energy and Power, University of Alaska Fairbanks.

PRESENT VIA TELECONFERENCE

Rebecca Alvey, Advisory Section Manager, Regulatory Commission of Alaska.

SUMMARY

HB 50 CARBON STORAGE

HB 50 was SCHEDULED but not HEARD.

SB 217 INTEGRATED TRANSMISSION SYSTEMS

SB 217 was heard and HELD in Committee for further consideration.

#sb217

SENATE BILL NO. 217

"An Act relating to the taxation of independent power producers; and increasing the efficiency of integrated transmission system charges and use for the benefit of ratepayers."

[9:13:27 AM](#)

Co-Chair Olson relayed that the committee heard background presentations on the bill over the preceding two days, but this was the initial bill hearing. He acknowledged Senator Giessel in the gallery.

[9:14:02 AM](#)

ANDREW JENSEN, ENERGY POLICY ADVISOR, OFFICE OF THE GOVERNOR, mentioned he also worked on issues of food security. He discussed a presentation entitled "SB 217: Integrated Transmission Systems" (copy on file). He explained that the legislation was designed to incentivize energy development and allow for power at the lowest cost to move throughout the system, regardless of where it is generated.

[9:14:47 AM](#)

Mr. Jensen showed slide 2, "The Railbelt Electrical Grid," which showed a map of the state indicating the area served by the grid and the area served by the Copper Valley Electric Association. He noted that the area was about 700 miles long and served about 75 to 80 percent of the state's population. He relayed that much of the Railbelt had few alternative pathways for power, which resulted in congestion, capacity constraints, and single points of failure that impacted the entire system.

[9:15:37 AM](#)

Co-Chair Olson invited Mr. Jensen to take his time with his presentation.

Mr. Jensen continued that because of the multiple owners of the system and diverse ownership of assets, there were some issues in the way the system was connected. He described a "wheeling charge" - power moved from one system to another,

which resulted in a fee - somewhat like a toll road. He noted that costs were passed down to the rate payer and could prevent the lowest cost power from being transmitted. He stressed the wheeling rate and current cost recovery practices were a barrier to project development and low-cost power.

[9:17:11 AM](#)

Mr. Jensen showed slide 3, "Independent Power Producers," which showed a map of the transmission lines and service areas.

Co-Chair Olson asked who set the wheeling rate.

Mr. Jensen responded that the rate was set by the utility and had to be approved by the Regulatory Commission of Alaska (RCA).

Mr. Jensen continued to discuss Slide 3. He used the Swan Lake fire as an example of how a breakdown on the line affected others down the line and increased power cost for users. He stressed that the Bradley Lake project would greatly assist with system constraints.

[9:20:16 AM](#)

Co-Chair Olson asked whether the project was fully federally funded.

Mr. Jensen explained that the project was funded through revenue bonds that Alaska Energy Authority (AEA) had sold in 2022. He furthered that the bonds were retired in 2021, and the utilities still owed excess payments. He said that the excess payments totaled approximately \$12.5 million per year, collectively among the utilities. He said that the utilities borrowed as much as they could for as long as the payments were owed - he believed until 2048. He stated that the utilities got approximately \$166 million, \$90 million of which would be used for the upgrade on the SSQ line. The financing meant that rates would not be raised for users.

[9:21:23 AM](#)

Mr. Jensen advanced to slide 4, "Independent Power Producers," and relayed that the bill would add a new section to statute regarding independent power producers.

He said that, currently, member or municipality owned cooperatives do not pay local property or sales taxes, or state corporate taxes. The legislation would give independent power producers selling only wholesale power to a utility the same treatment. He noted that taxes impacted cost competitiveness and timing of projects. He reiterated that the exemption would go only to producers wholesaling power to utilities. He said that the exemptions applied to any source of power generation.

[9:24:16 AM](#)

Senator Kiehl asked about new power producers, and whether they would be for profit or not for profit.

Mr. Jensen replied that they would be for profit entities. He added that the bill required that the tax exemption be reflected in the contract.

Senator Kiehl asked who regulated the contracts.

Mr. Jensen explained that the RCA would review and approve all contracts.

Senator Kiehl thought the economics Mr. Jensen described, including impacted property taxes and the effects of low power rates on local economies, also applied in places where there were regulated utilities were not for profit. He asked why some utility structures had not been included.

Mr. Jensen said that the goal was to create an equal playing field. He said that if an investor-owned utility that subject to local and state taxes, and another project was not, it would create inequality.

[9:27:45 AM](#)

Senator Kiehl commented that exempting some for-profits and not others created an unequal playing field.

Co-Chair Olson agreed.

Mr. Jensen appreciated the comments and relayed that it was the intent of the sponsor to incentivize development to alleviate the gas situation in the Railbelt. He said that if the taxes were the barriers from keeping new energy from being developed then the barriers must be delt with.

[9:29:10 AM](#)

Co-Chair Hoffman noted that the Bethel utility used to be owned by a for-profit company. The situation was resolved by setting up Bethel utilities as a non-profit, which resulted in a 20 percent reduction in fees for residents. He asked whether Mr. Jensen could give an example of other for-profit entities in the state that currently had the same non-tax status.

Mr. Jensen relayed that he would need more time to investigate the matter. He understood that there were a variety of tax incentives that applied to for profit entities.

Co-Chair Hoffman addressed Senator Kiehl's comments and thought the way the situation was handled in Bethel was simpler and resulted in lower rates for users. He mentioned that non-profits reaped many benefits that were realized by the people of Bethel.

Co-Chair Olson asked whether Mr. Jensen was familiar with the transition that Co-Chair Hoffman had described. He asked whether any other entities in the state fell under the same model as that of Bethel.

Mr. Jensen reiterated that he did not know.

[9:31:33 AM](#)

Mr. Jensen addressed slide 5, "What Does Senate Bill 217 (version U) Do?":

- Eliminates transmission "wheeling" rates by requiring the Railbelt utilities to create a new cost recovery mechanism **(SB 217)**
- Extends tax relief provisions enjoyed by cooperative and municipal electric utilities to Independent Power Producers (IPPs) **(SB 217)**
- Establishes a Railbelt Transmission Organization (RTO) within the Alaska Energy Authority (AEA) **(SB 257)**
- Creates net metering incentives for seven years after effective date
- Increases revenue to RCA (Regulatory Commission of Alaska) and the Department of Law's Regulatory Affairs and Public Advocacy section (RAPA) **(HB 313)**

- Exempts projects less than 15 megawatts from RCA pre-approval
- Increases salaries for RCA commissioners
- Changes qualifications for RCA commissioners and provides for transition (**SB 257**)
- Creates AEA board (**SB 257**)
- Moves transmission planning from the Electric Reliability Organization (ERO) to the new RTO to be housed within AEA (**SB 257**)

[9:35:12 AM](#)

Mr. Jensen displayed slide 6, "Questions?":

Andrew Jensen, Energy Policy Advisor
(907) 269-0500
Andrew.Jensen@alaska.gov

Co-Chair Olson asked about net metering and the 7-year restriction after the effective date.

Mr. Jensen replied that the restriction had been in an amendment introduced by Senator Claman in the Senate Resources Committee. He guessed that it had something to do with expiring federal incentives.

Mr. Olson asked whether the governor supported the amendment.

Mr. Jensen relayed that the governor was in favor of incentivizing renewable systems.

[9:36:24 AM](#)

Senator Wilson mentioned net metering, and asked how power would be reimbursed to the customer.

Mr. Jensen offered a breakdown of the current process.

[9:38:03 AM](#)

Senator Kiehl asked about the exemption from pre-approval, and asked Mr. Jensen to provide more details. He asked how the 15-megawatt number had been derived.

Mr. Jensen recalled that Chugach Electric had come up with the number in work with Representative Zach Fields. He

thought maybe the 15-megawatt number was somewhere in statute.

Senator Kiehl was interested in follow-up information. He said that some things were cheap to install and expensive to run and vice versa and noted that hydro-dams would not have fuel costs. He pondered potential impact to rate payers that would trickle down from tax exemptions.

Mr. Jensen thought a safeguard would be the fiduciary responsibility of board members who would have the best interest of their members at heart.

Senator Kiehl asked whether the pre-approval exemption applied only to coops.

Mr. Jensen relayed that he would get back to the committee with the information.

[9:41:20 AM](#)

Co-Chair Hoffman asked Mr. Jensen to provide his office with information regarding how much of the workload in recent history the RCA had spent on projects of 15 megawatts or less.

Mr. Jensen agreed to provide the information.

Co-Chair Olson requested the information be made available the following morning.

Mr. Jensen agreed to provide the information the following morning.

[9:41:59 AM](#)

Senator Merrick asked for more history about the Swan Lake Fire, including what happened to the rates for folks who were still on power at the lake during the emergency.

Mr. Jensen recalled that AEA bought the SSQ from Homer Electric and one of the first excess payments received went toward the purchase of the SSQ.

Senator Merrick asked how rates were impacted at Homer Electric.

Mr. Jensen replied that rates went up - \$12 million spread over rate payers on a per kilowatt basis.

Senator Merrick clarified that she was referencing those that still had a connection to Bradley Lake.

Mr. Jensen believed those users rates had remained the same as before the fire.

[9:44:35 AM](#)

Senator Wilson asked whether, under the bill, if a utility were to be "islanded" due to ongoing upgrades, would the utility be rightly compensated because of the one-way power utilization.

Mr. Jensen believed that when utilities went through the process to create the new transmission mechanism the situation would be addressed within the tariff.

Senator Wilson thought there would clearly be winners and losers in the situation. He asked whether there was something that could be done in the legislation to ensure that there was equity.

Mr. Jensen said that in the initial phase there would be a reallocation of cost. He thought it was important to remember how the costs compared to the overall revenue requirement for the utilities. He said that the utilities and the Regulatory Commission of Alaska would have to come up with a plan to relay to rate payers. He said that meetings were ongoing to understand what the transmission cost recovery mechanism would look like, and an agreement was expected within the next year. He believed that in the long run all rate payers would benefit.

[9:48:08 AM](#)

Senator Wilson asserted that the legislation would mandate an initial loss of revenue for utilities and wondered how utilities would find that attractive.

Mr. Jensen responded that the money would be recovered. He said that the intention was not to take from utilities and that there would be safeguards in place to minimize the initial impact.

[9:49:45 AM](#)

Senator Kiehl noted that the issue of fairness had always been at play and that the RCA had traditionally acted as a "referee." He asked whether there were elements of the current bill that were decided only by the new organization without RCA review.

Mr. Jensen relayed that the transmission cost recovery tariff was the primary thing under the RCA's purview, which encompassed anything brought forward to justify cost. He said that the economic regulation of the project gave the RCA considerable oversight. He said that through regulation of the tariff the commission would have broad insight into the cost.

[9:52:07 AM](#)

Senator Wilson had a question related to Section 18, page 12, line 7, section (d), and the language surrounding new work and maintenance. He asked how collective bargaining agreements would be applied in the different areas of the work along the line.

Mr. Jensen deferred the question to Senate Resources Committee staff.

Senator Wilson understood that Mr. Jensen had no interpretation on how the bargaining agreements would work. He expressed concern that no one could answer the question.

Co-Chair Olson thought that the question could be asked of the appropriate person.

Mr. Jensen understood Senator Wilson's concern. He mentioned concern that some of the incoming federal funds, the possibility of workers from out-of-state, and the preservation of in-state union contract agreements.

[9:54:39 AM](#)

Co-Chair Stedman thought there might be some confusion about what the administration supported in the current legislation.

Mr. Jensen relayed that the governor had some over-arching policy goals for the legislation. The governor supported

open access, non-discriminatory consortium generation so that power could move from anywhere to anywhere. He said that the governor wanted the lowest cost power to be moved without any economic barriers. He said that the governor wanted as broad of support as possible to achieve his energy objectives.

Co-Chair Stedman hoped for more definitive answers surrounding the governor's support of the current bill.

Mr. Jensen believed there was wide alignment for the tax exemption provision. He considered things without wide alignment and thought that those would be areas where the legislature would need to give input.

[9:57:33 AM](#)

Co-Chair Stedman commented that at the end of the day the governor had to sign the bill or the legislature's time will have been wasted. He reiterated that a clearer understanding of which parts of the bill the governor supported would be helpful to the discussion.

Mr. Jensen replied that there was nothing in the current bill that the administration considered a "red line."

[9:58:43 AM](#)

Senator Wilson asked whether that meant that the administration supported everything, as written, in the current bill.

Mr. Jensen responded that the governor supported the legislation that originally had been introduced.

[9:59:16 AM](#)

Co-Chair Hoffman commented that he did not know of anyone or any industry that would object to being tax exempt.

[10:00:09 AM](#)

SENATOR CATHY GIESSEL, noted that the bill had been intensely worked over the past eight months. The genesis of the bill was a trip that several legislators from both bodies along with utility companies, to Iceland, where they researched how a similar sized entity there had done to

lower renewable energy costs while creating a robust economy.

Senator Giessel described the similarities between Iceland and Alaska and how what happened there could be beneficial to the state. She listed the various stakeholders involved in the conversation during the crafting of the bill.

[10:04:04 AM](#)

ANGELA RODELL, STAFF TO SENATOR GIESSEL, addressed a presentation entitled "CS for Senate Bill 217 - (RES)Integrated Transmission Systems - Sectional Analysis" (copy on file). She addressed slide 2, "Improvements to the Regulatory Commission of Alaska (RCA)":

Section 1:

Amends AS 42.04.020 (a) to clarify and update the qualifications of individuals nominated to serve as a commissioner for the Regulatory Commission of Alaska (RCA) by requiring at least 5 years of experience in the field associated with the degrees, a member of the Alaska Bar Association in good standing with at least 5 years of experience, or a professional engineer registered under AS 08.48.

Section 2:

Amends AS 42.04.020 (f) by increasing the salary of the RCA chair and commissioners to Range 29.

Section 3:

Amends AS 42.05.254 (a) by increasing the surcharge paid by regulated entities to pay for the operations of the RCA.

Section 4:

Amends AS 42.05.381 by clarifying that the RCA may consider diversity of energy supply, promotion of load growth or enhanced energy reliability or security in determining if an electric utility's rate is just and reasonable.

[10:05:58 AM](#)

Co-Chair Hoffman referred to Section 2 of the bill and asked whether the increase from a Range 27 to a Range 29

been requested by the Regulatory Commission of Alaska board and how much the increase equated to monetarily.

Ms. Rodell understood that the sponsor of the amendment thought the increase in salary had been commensurate with the increase in qualifications. She said that the increase was from \$113,000 per year to \$120,000 per year.

Co-Chair Olson assumed that the increase had been needed to attract candidates.

Ms. Rodell replied in the affirmative.

[10:07:20 AM](#)

Senator Bishop commented on Section 2 and the salary increase. He recounted a previous conversation during an Energy Security Taskforce meeting about employees leaving the Regulatory Commission of Alaska to seek higher paying jobs.

Co-Chair Hoffman asked about the surcharge at the increased rate lines out in Section 3.

Ms. Rodell replied that she would get back to the committee with an actual dollar amount.

Co-Chair Olson understood that the increase was necessary to meet the expenses of the Regulatory Commission of Alaska.

[10:08:45 AM](#)

Ms. Rodell showed slide 3, "Establishing a Net Metering Program":

Section 5:

Amends AS 42.05 to provide for retail customers to receive a monthly credit at the full retail rate per kilowatt-hour, of electric energy supplied by the customer.

After each 12-month period as of March 31, any unused credits will expire.

After 7 years, customers enrolled in this program will no longer be allowed to participate and receive credits.

[10:09:31 AM](#)

Senator Wilson asked how billing worked after the 7-year period.

Ms. Rodell responded that payment would be at the regular rate, without the credits.

Senator Wilson asked about the March 31st deadline.

Ms. Rodell said she would get back to the committee with an answer.

Senator Kiehl understood that after a seven-year surplus electricity could not be sold back to utilities, at any price.

Ms. Rodell answered affirmatively.

Senator Kiehl wondered who would make the decision.

Ms. Rodell replied that it would be up to the utility.

[10:11:17 AM](#)

Senator Giessel relayed that the reason for the time limited period was to deter overbuilding - such as putting so many solar panels up that it resulted in excess power. She explained that net metering was reimbursed at a retail rate, while net billing reimbursed at a wholesale rate that was much less. She referenced a piece of legislation passed on the Senate floor that related to net metering.

Co-Chair Olson asked whether the provision stifled entrepreneurship.

Senator Giessel responded that the utility would have to reimburse at a retail rate and there were multiple other avenues for free enterprise to thrive.

[10:13:08 AM](#)

Senator Bishop thought there were only so many kilowatts on the Railbelt that could be absorbed by renewables. He mentioned the "renewable revolution" occurring in California.

[10:14:43 AM](#)

Senator Merrick asked whether it would make sense to move to a net billing model after seven years.

Senator Giessel thought the matter would be up to the utilities. She said that the Railbelt Reliability Council would have jurisdiction over generational planning. She said that the council would assess whether too much power was being generated and would make sure there was stable regenerable power.

[10:15:59 AM](#)

Ms. Rodell addressed slide 4, "Transparency in Power Purchase Agreements":

Section 6:

Amends AS 42.05.431 (b) to require that power purchase agreements between public utilities or between a public utility and an independent power producer reflect the tax benefits provided to the independent power producers or utilities.

Ms. Rodell showed slide 5, "Streamline Regulation of Independent Power":

Section 7:

Amends AS 42.05 by exempting construction of energy facilities producing 15,000 kilowatts (15 Mw) or less from preapproval by the RCA.

[10:17:21 AM](#)

Senator Kiehl asked whether the section had limited applicability to the Railbelt region only or whether it applied statewide.

Ms. Rodell noted that the provision applied statewide.

Senator Kiehl thought there could be potential or sizeable impact on rates due to variation of project size. He

wondered whether the baseplate exemption could be based on utility size.

Ms. Rodell thought Senator Kiehl's concept could be offered as an amendment. She considered that the discouragement of building something too large would be the inability to sell it. She suggested that a developer of energy would not build a utility so large that the utilities surrounding it would not be able to absorb the power.

Senator Kiehl said that the Regulatory Commission of Alaska looked at several categories, including projects financials. He said that the pre-approval process reduced the risk to a utility building a new generation project from spending too much or taking on too much debt to be deemed prudent by the Regulatory Commission of Alaska to qualify for recoverable rates. He said he would like to discuss the matter further with the sponsor.

[10:20:37 AM](#)

Senator Wilson asked whether the 15,000 kilowatts referenced in Section 7 would be the standard for temporary sites.

Senator Giessel relayed that she had asked the same question and noted that the section had been brought up by Chugach Electric. She noted that the project at Willow was 17,000 kilowatts and 12,000 kilowatts at Fire Island. She thought the idea was that the smaller projects would be made more economic by not having to go through an extensive and expensive review by RCA. She said the council would be monitoring the projects. She stated that the bill could be amended to have the section only apply to the Railbelt area.

[10:22:26 AM](#)

Co-Chair Stedman thought one of the advantages of the intertie in Southeast was generation could occur nearly anywhere. He asked whether there was an expectation that there would be many smaller independent projects generating 5 and 10 megawatts and tying into the system.

Ms. Rodell had not seen a forecast for supply, but thought the expectation was that given the diversity of the Railbelt, large and small projects would be accommodated.

Co-Chair Olson handed the gavel to Co-Chair Hoffman.

[10:23:40 AM](#)

Ms. Rodell reviewed slide 6, "Improvements to the Electric Reliability Organization (ERO)":

Section 8:

Amends AS 42.05.762 by repealing the requirement that an electric reliability organization (ERO) must develop integrated resource plans and adding the requirement that the ERO must participate in an integrated transmission plan conducted by the Railbelt Transmission Organization.

Additionally, the ERO will be required to prioritize reliability and stability of the system served by the ERO while also taking into account cost to the consumer.

Ms. Rodell clarified that the slide was wrong. She clarified that the section would amend the integrated resource plan to not include transmission planning.

Co-Chair Hoffman handed the gavel back to Co-Chair Olson.

Senator Giessel added that there were numerous terms in the document. She stated that Electric Reliability Organization (ERO) was the same entity as the Railbelt Reliability Council (RRC). She shared that the entity had been in existence for over four years and had a 14-member board.

[10:25:43 AM](#)

Senator Bishop mentioned a presentation by the council the previous day.

[10:26:09 AM](#)

Ms. Rodell advanced to slide 7, "Conforming the ERO Tariff to Streamlined ERO Duties":

Section 9:

Amends and repeals AS 42.05.770 (1) which is the requirement that an ERO tariff include standards for nondiscriminatory open access transmission and

interconnection and standards for transmission system cost recovery.

Sec. 42.05.770. Regulations. The commission shall adopt regulations governing electric reliability organizations, reliability standards, and modifications to reliability standards consistent with this section. Regulations under AS 42.05.760 – 42.05.790 must(1) require that an electric reliability organization's tariff include(A) standards for nondiscriminatory open access transmission and standards for interconnection;(B) standards for transmission system cost recovery;

[10:26:49 AM](#)

Ms. Rodell showed slide 8, "Streamlining the ERO's Responsibilities":

Section 10:

Amends AS 42.05.772 by adding that a load-serving entity that would otherwise be exempt from regulation under this chapter, shall adhere to the ERO's reliability standards, coordinate with the ERO, and if applicable, coordinate with the Railbelt Transmission Organization to integrate reliability standards into the load-serving entity's operational procedures.

[10:27:29 AM](#)

Ms. Rodell referenced slide 9, "Administrative Needs - Conformity

Section 11:

Amends AS 42.05.790 by adding that the definition of "Railbelt" has the same meaning given in AS 44.83.750 and "Railbelt Transmission Organization" means the transmission organization established by AS 44.83.700.

[10:27:55 AM](#)

Ms. Rodell spoke to slide 10, "Improvements to Regulatory Commission of Alaska":

Section 12:

Amends AS 42.06.286(a) by increasing the surcharge paid by pipeline carriers to fund operations of the Regulatory Commission of Alaska.

[10:28:17 AM](#)

Ms. Rodell showed slide 11, "Incentivize Diversity of Generation":

Section 13:

Adds a new section - AS 43.98.100 to provide a tax exemption to state and local ad valorem, income and excise taxes to any independent power producer that only sells wholesale power to cooperative and public utilities.

[10:28:53 AM](#)

Co-Chair Hoffman asked to go back to slide 10 and asked about who the pipeline carriers were.

Ms. Rodell requested time to research the question.

Co-Chair Hoffman asked whether there was any industry objection to the provision in Section 12.

Ms. Rodell replied in the negative.

[10:29:53 AM](#)

Senator Bishop noted that there was an Regulatory Commission of Alaska manager available to answer questions.

[10:30:20 AM](#)

Co-Chair Hoffman asked who the pipeline carriers were that would fund the surcharge and how much the surcharge would be. He wondered whether there was any objection by pipeline carriers to the provision.

REBECCA ALVEY, ADVISORY SECTION MANAGER, REGULATORY COMMISSION OF ALASKA (via teleconference), relayed that the carriers included Hilcorp, ConocoPhillips, the TAPS carriers that did intra-state business. She mentioned a proposal to increase the statutory cap of the Regulatory Cost Charge (RCC). She noted that currently, as the cap was set, there was potential for the RCA's budget may exceed

the current cap and not allow for the commission to collect through the RCC the amount necessary to fund operations. She did not know the number. She said she would get back to the committee with a number. She stated that she had heard no opposition to the provision.

Co-Chair Hoffman inquired as to whether the pipeline carriers had been asked directly whether they supported the provision.

Ms. Alvey relayed that the RCA had not asked the question to any pipeline carriers.

Co-Chair Hoffman asked that pipeline carriers be asked the question and that the Regulatory Commission of Alaska return to the committee with a response.

Ms. Alvey agreed.

[10:34:01 AM](#)

Ms. Rodell discussed slide 12, "Board of Directors -Alaska Energy Authority":

Section 14:

Amends AS 44.83.030 to provide for an 8-member, independent board for the Alaska Energy Authority (AEA)

Section 15:

Amends AS 44.83.030 to allow commissioners to delegate to a deputy or director and provides that each public members serves a 3-year term.

Section 16:

Amends AS 44.83.030 to require the board to elect a chair and vice-chair every 2 years and provides that a quorum of 5 is needed to meet along with an affirmative vote of 5 to take any action.

Co-Chair Olson asked whether all eight members of the board would be voting members.

Ms. Rodell replied in the affirmative.

Co-Chair Olson asked how a tie would be avoided.

Ms. Rodell noted that a tie would result in a "failed" vote. An affirmative vote of five would be needed for anything to pass.

[10:35:10 AM](#)

Ms. Rodell spoke to slide 13, " Powers & Duties -Alaska Energy Authority":

Section 17:

Amends AS 44.83.080 to add to the duties of the AEA to allow AEA to provide staff and administrative services for the Railbelt Transmission Organization and to also allow AEA to acquire energy storage systems.

[10:35:36 AM](#)

Co-Chair Stedman thought there needed to be a policy discussion regarding AEAs expanding ownership of transmission lines and other energy assets.

Senator Giessel noted that the goal was to ensure electric power. She said that AEA acquiring the energy storage systems would assist utilities. She said that new energies required significant investment, which AEA could assist with.

[10:37:26 AM](#)

Senator Bishop added that the previous day AEA had shown three potential acquisitions on battery storage for three different utilities.

[10:37:45 AM](#)

Co-Chair Hoffman noted that the committee would be looking at the question raised by Co-Chair Stedman, and that of AEA and AIDEA. He thought it seemed that the powers and authorities of AEA and AIDEA needed to be reviewed.

Co-Chair Olson agreed with Co-Chair Hoffman's comments.

Co-Chair Stedman understood the benefits of having a state organization assist with funding. He believed that further discussion should be had about which entities held the power lines - the utilities or a consortium outside of state entities.

[10:39:51 AM](#)

Senator Kiehl recognized the diversity of the electrical infrastructure in Alaska. He thought the AEA fiscal note was to the first version of the bill and did not address the question of additional staff and how they would be paid.

Senator Giessel relayed that the next section of the bill went into depth about the RTO that was being created and the upcoming section would address the question about the ownership of assets. She said that AEA was a part of the RTO in the same way that the AEA and four utilities made up the Bradley Lake Management Council. She said that revenue mechanisms and construction and operation details would be discussed in the next sections.

[10:42:39 AM](#)

Ms. Rodell advanced to slide 14, "Creation of the Railbelt Transmission Organization":

Section 18

Amends AS 44.83 by adding a new subsection creating the Railbelt Transmission Organization (RTO).

44.83.700

- establishes the RTO under the Alaska Energy Authority for the purpose of developing a backbone transmission system for the Railbelt
- establishes the governance structure that provides for oversight of the RTO, creating a management committee that is composed of members representing:
 - each of the utilities
 - the executive director of the Alaska Energy Authority
 - the CEO of the ERO
 - an individual from an independent power producer
 - an individual from a labor union
- requires the RTO to establish a conflict resolution process
- facilitates public participation in the operations of the RTO

44.83.710

- sets out the powers and duties of the RTO

- gives the authority to purchase, lease or acquire backbone transmission assets
- gives the authority to construct, own, and operate new transmission assets
- establish tariffs subject to the approval of the RCA
- Provides that no assets may be sold, exchanged, donated or otherwise conveyed without the express approval of the Legislature

Ms. Rodell specified that that organization was within the AEA. She noted that the governance structure had been amended in Senate Resources Committee.

Senator Giessel highlighted that under AS 44.83.700, the RTO would manage but not mandate the transition of assets from utilities to the RTO. She stressed that the RTO was placed within AEA for transition purposes. She said that the RTO was not a board but a governing structure. She cited Line 21 of the bill and stressed that the AEA was there for administrative purposes only. She referred to Section 18, page 10, line 28 of the bill, which related to the governance structure:

(C) the chief executive officer of the applicable electric reliability organization, or the chief executive officer's designee;

Senator Giessel highlighted that in the original legislation the CEO of the ERO had been a non-voting member, which was amended in Senate resources Committee. She shared that other changes made in that committee could be found on Page 10, lines 30-31; and continuing to Page 11, lines 1-3, and had been deemed by AEA as unacceptable, per Curtis Thayer. She said that the committee would need to amend the bill to remove items (C), (D), and (E) to protect AEAs bonding authority.

[10:47:47 AM](#)

Co-Chair Stedman asked for an idea of how many employees the organization would have and whether they would be considered state employees.

Ms. Rodell relayed that that the design mirrored the Bradley Lake Management Committee, which had no direct employees but used the employees of the utilities and the AEA.

Co-Chair Stedman pondered the possibility of the utilities deciding to work together and merge to lower rates. He wondered if such action would be limited under the legislation.

Ms. Rodell responded that the action would not be restricted.

Co-Chair Hoffman referenced Section 18 on page 11, line 26. He asked how many times the Senate Resources Committee addressed the word "may" versus the word "shall" when writing the bill.

Senator Giessel replied that it had always been "may" because the bill did not mandate that they construct, own, and operate, or that they take possession of any of the assets. She commented on utilities working together. She reminded the committee that the Bradley Lake Management Council had been functioning for more than 40 years, with a conflict resolution process in place. She recalled that the word "may" on line 26, had always been part of the bill.

Co-Chair Hoffman thought that with the legislation there was a change in that the entities would be tax exempt, which was an issue. He thought the committee should look at the issue and talk to the members of the utilities regarding the ownership and operation of the transmission lines.

[10:51:33 AM](#)

Ms. Rodell thought Co-Chair Hoffman raised a very important point about how the legislation tried to address several complex pieces about what was currently constraining the Railbelt grid. The legislation created a coordination of planning, a coordination of transmission assets, and an open access tariff, allowing independent power producers to enter into power purchase agreements that would be RCA reviewed and regulated, and would go into a new transmission system to service wherever there was demand.

Co-Chair Stedman noted that the committee had asked AEA to review the grant data on the Grid Resilience and Innovation Partnerships (GRIP) funding that would be discussed in winter 2025, to determine when AEA could divest itself of power line assets. He said that the information was

necessary to make the final determination of how ownership would be established.

Ms. Rodell referenced AS 44.83.710 on the bottom of slide 14, which addressed the powers and duties of the RTO. She noted that no assets could be sold, exchanged, donated or otherwise without the direct approval of the legislature. She said that the assets would be owned by AEA, through funding and construction, and it would not be up to the AEA how to dispose of the assets.

[10:54:30 AM](#)

Co-Chair Stedman explained that he was concerned with the handling of the project after construction and funding. He felt that AEA might expand their ownership after funding and construction. He believed that other entities should own the assets and AEA should only fund through construction.

Senator Giessel relayed that the section being discussed related to the RTO, and not AEA. She continued that AEA was a part of the plan but that utility companies were another part. She said that stakeholders requested that the assets would not be sold without the approval of the legislature.

[10:56:10 AM](#)

Co-Chair Hoffman thought that Co-Chair Stedman's question was related to the powers and duties of the organization. He thought Co-Chair Stedman had questioned whether it should be required that that utilities "shall" own and operate the line and not a state entity. It was a question about "may" versus "shall" written into the legislation.

Senator Giessel thought Co-Chair Hoffman posed a great question and pondered the setting of a time limit. She relayed that the "may" was there because utilities had laid out significant funds to build the assets and were not willing to relinquish ownership to the RTO. The RTO would simply manage the transmission of electrons. She considered that if the committee wanted to set a limit that was the purview of the committee.

Co-Chair Stedman expressed disinterest in outside interests monetizing state resources. He thought it was beneficial for Alaskans that the citizens own the utility. He offered

an example of an outside entity who wanted to purchase a utility in Sitka.

Senator Giessel believed that there was a situation in King Cove had built a hydro-electric plant and was now experiencing a problem related to their rates.

[10:59:24 AM](#)

Senator Kiehl referenced 44.83.710(b) and asked for help in understanding the difference between "management" and "effective operational control".

Senator Giessel deferred to a utility CEO, if available, or Gwen Holdmann from the Alaska Center for Energy and Power.

[11:01:09 AM](#)

GWEN HOLDMANN, ALASKA CENTER FOR ENERGY AND POWER, UNIVERSITY OF ALASKA FAIRBANKS, introduced herself and asked Senator Kiehl to repeat his question.

Senator Kiehl referenced Page 11 of the bill, which discussed the powers and duties of the organization. He asked what the difference was between "managing" and "having effective operational control of" and would those things be a matter of ownership.

Ms. Holdmann thought that the topic of Senator Kiehl's had been one of the pieces that the utilities had spent the most time discussing. She shared that there was not a need to transfer ownership of assets as many of them were tied up in bonding authority with the individual utilities. She said that severing those assets from their debt would not be in the best interest of stakeholders in terms of cost. She stated that utilities would have the option of selling their assets into the RTO. She commented that there had been numerous failed attempts for the utilities to work together to form an entity outside of the state that would perform the function of unified system operator, which was why the state needed to be involved.

Ms. Holdmann noted that Iceland's system was the most analogous to Alaska's.

[11:05:03 AM](#)

Senator Kiehl thanked Ms. Holdmann for the valuable history. He wanted more information regarding "management" and "control" as defined in the legislation. He referenced Senator Giessel's comments on changing the controls of the board to the bond holders.

Ms. Holdmann replied that it was important that the management committee was made up of the asset owners.

Senator Wilson asked about the cost to ratepayers upon passage and implementation of the bill.

Ms. Holdmann thought the purpose of the bill was to organize assets. She said that the assets could be moved out of state ownership in the future. She said that the legislation would not result in immediate savings to ratepayers but would organize assets in such a way to get the cheapest cost power to consumers wherever they were located.

Senator Wilson wondered about the direct impact on ratepayers in the short and long term.

[11:07:57 AM](#)

Senator Bishop commented that the bill was looking prospectively into the future. He thought all the renewable energy being discussed was "pie in the sky" without a system of distribution in place.

Co-Chair Olson suggested pausing the presentation and returning to the table at 1:30PM.

Ms. Rodell agreed.

[11:09:03 AM](#)

Senator Giessel added that Lines 7 and 8 of the bills stipulated that work must be performed subject to terms and conditions of any existing collective bargaining agreements and related to work performed on new construction and maintenance. The language came at the request of unions that were currently engaged in collective bargaining agreements with utilities.

SB 217 was heard and HELD in Committee for further consideration.

11:09:50 AM

RECESSED

[The meeting was not reconvened, and the presentation was continued at the 1:30 p.m. meeting the same day].

#

ADJOURNMENT

11:14:58 AM

The meeting was adjourned at 11:14 a.m.