

SENATE FINANCE COMMITTEE

May 2, 2024

1:39 p.m.

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CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 1:39 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Senator Cathy Giessel, Sponsor; Angela Rodell, Staff,
Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Curtis Thayer, Executive Director, Alaska Energy Authority,
Anchorage.

SUMMARY

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."

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SENATOR CATHY GIESSEL, SPONSOR, introduced herself.

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ANGELA RODELL, STAFF, SENATOR CATHY GIESSEL, continued discussing the presentation, "CS for Senate Bill 217 (RES) Integrated Transmission Systems Sectional Analysis" (copy on file). She spoke to Section 18 of the bill and clarified that the governance structure was amended in the Senate Resources Committee. She said that the original structure had been designed to mirror the Bradley Lake Management Committee model; a consortium of asset owners collectively manages the assets and have different voting rules based on the fiduciary level of the action needed to be taken. She noted that the amended version created three voters that do not have the same fiduciary responsibility and do not have the same asset owner responsibility.

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Senator Wilson wondered whether the members under (C) and (D) could still maintain a voice on the committee but without the voting requirements.

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Ms. Rodell responded that if they were not voting members, they could continue to retain seats on the committee.

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CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, ANCHORAGE (via teleconference), replied that Ms. Rodell was correct.

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Ms. Rodell addressed slide 15, "Duties of the New RTO":

Section 18, continued

44.83.720

- creates a revenue mechanism, subject to the approval of the RCA
- shall adopt a transmission cost recovery methodology that ensures the reliability and sufficient capacity
- the cost recovery methodology must:
 - pool and allocate transmission system costs
 - account for backbone ancillary services, congestion and disruptions resulting from the isolation of one geographical area

44.83.730

- requires the RTO to engage in integrated transmission planning at least every 10 years
- the plan must set clear goals and use a whole-system approach
- shall take into consideration technological advancements, load growth, fuel supply among others
- The plan shall be published on the AEA website

44.83.740 requires the RTO to identify existing backbone transmission assets by July 1, 2025, and that the Railbelt utilities will transfer management of those assets to the RTO by July 1, 2026.

44.83.750 Definitions

"backbone transmission system": assets of the interconnect electric energy transmission network that serves the Railbelt; it does not include assets that would be considered distribution or radial facilities as defined by FERC

"commission" as the RCA

"Railbelt" as the area of Alaska that ranges from the Kenai Peninsula to Interior Alaska, connected by a common electric transmission backbone

"Railbelt utility" to mean a public utility certificated to operate in the Railbelt

"transmission organization" to the RTO established in this bill

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Senator Wilson recalled slide 14 and noted that a question had been asked earlier about the bargaining agreement would work.

[1:48:31 PM](#)

Senator Giessel replied that the utilities would have existing contracts and that the specificity of the language had been requested as a "belt and suspenders" measure.

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Senator Wilson expressed confusion about different existing bargaining agreement across different lines.

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Senator Giessel deferred to Mr. Thayer.

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Mr. Thayer replied that dual agreements existed for other projects and work would be done with both bargaining units.

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Senator Wilson wondered whether the language was necessary.

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Mr. Thayer responded that the language for to reiterate that the practices would be the same under the RTO.

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Senator Bishop interjected many utilities shared crews up and down the line for maintenance and emergencies.

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Senator Wilson asked how the cost recovery methodology would be conducted.

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Ms. Rodell agreed to get back to the committee on current practices. Under the bill, all the fixed costs would be

spread across the utilities without regard to load. She said that if there were significant outages the costs associated would be incorporated into the tariff request before the Regulatory Commission of Alaska.

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Senator Giessel offered the Swan Lake fire as an example of a break in the transmission line.

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Mr. Thayer explained the fire was on the SQ line, which was owned by Homer Electric and served the northern utilities, but not Homer. The line was out for 4 months, and the northern utilities were able to get the water they were owed after several months.

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Senator Wilson wondered who paid the cost for the loss of utility.

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Mr. Thayer said that the rate payer paid initially for the natural gas during that time, but as more power became available not as much natural gas was used. He believed that there had been a leveling of costs eventually.

Senator Wilson asked if power could only go one-way on a powerline due to being "islanded" - how would the utility make up the cost.

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Mr. Thayer said he would need to ask each utility individually. He noted that several arrangements could be at play.

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Senator Wilson cited Page 12 of the bill. He wondered about the projected costs to rate payers under the bill.

[1:59:01 PM](#)

Senator Giessel replied that some estimates had been made and were under refinement. She stressed that without an upgrade to the transmission line there would certainly be increased costs due to limited access and the lack of renewables into the system. She guessed that things could continue under the status quo, but that costs would rise. She asserted that the bill was a step into a future of less cost and more efficiency.

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Co-Chair Olson asked about net metering.

[2:00:07 PM](#)

Senator Giessel replied that the matter was a side issue. She said that it was not part of the "backbone" directly.

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Senator Wilson understood that under the legislation, for a time there would be an increase but that it would plateau overtime.

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Ms. Rodell referenced slide 16, "Final Implementation":

Section 19

Sets the directive for Alaska Energy Authority and the Regulatory Commission of Alaska to adopt the necessary regulations to implement the changes made by CS for Senate Bill 217.

Section 20

Requires Alaska Energy Authority to immediately begin an initial transmission plan and capital improvement program.

Section 21

Allows any current member of the RCA to continue to serve until their term expires and a replacement has been nominated and qualified.

Section 22

Provides for the transition of the new AEA board members to allow for staggered terms for the public members with 2 members serving 1 year, 2 members serving 2 years and 2 members serving 3 years.

Section 23

Sections 19 and 20 take effect immediately.

Section 24

All other sections take effect July 1, 2024

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Senator Giessel thanked the committee for their time.

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Mr. Thayer added that the legislation was comprehensive and incorporated many of the administration's goals.

Senator Olson asked whether the governor supported the RTO.

Mr. Thayer replied that the RTO was a concept that had been discussed and supported by the administration in the past.

SB 217 was HEARD and HELD in committee for further consideration.

Senator Olson discussed housekeeping.

#

ADJOURNMENT

[2:05:00 PM](#)

The meeting was adjourned at 2:04 p.m.