

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 27, 2024

1:32 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Kelly Merrick
Senator Forrest Dunbar

MEMBERS ABSENT

Senator Click Bishop, Vice Chair
Senator Elvi Gray-Jackson

COMMITTEE CALENDAR

SENATE BILL NO. 154

"An Act relating to bidder preferences in state procurement."

- MOVED SB 154 OUT OF COMMITTEE

SENATE BILL NO. 239

"An Act relating to the Alaska Industrial Development and Export Authority; and relating to workforce housing development projects."

- HEARD & HELD

SENATE BILL NO. 257

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 154

SHORT TITLE: BIDDER PREF MILITARY CAREER SKILLS PROG

SPONSOR(S): SENATOR(S) WIELECHOWSKI

05/17/23 (S) READ THE FIRST TIME - REFERRALS

05/17/23 (S) L&C
03/04/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/04/24 (S) Heard & Held
03/04/24 (S) MINUTE(L&C)
03/27/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 239

SHORT TITLE: AIDEA WORKFORCE HOUSING DEVELOPMENT
SPONSOR(s): SENATOR(s) DUNBAR

02/19/24 (S) READ THE FIRST TIME - REFERRALS
02/19/24 (S) L&C, FIN
02/21/24 (S) FIN REFERRAL REMOVED
03/27/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 257

SHORT TITLE: ELECTRIC UTILITY REGULATION
SPONSOR(s): RESOURCES

03/01/24 (S) READ THE FIRST TIME - REFERRALS
03/01/24 (S) L&C, RES, FIN
03/01/24 (S) L&C WAIVED PUBLIC HEARING NOTICE, RULE
23
03/04/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/04/24 (S) Heard & Held
03/04/24 (S) MINUTE(L&C)
03/04/24 (S) RES AT 3:30 PM BUTROVICH 205
03/04/24 (S) <Bill Hearing Canceled>
03/27/24 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

KALEB CALLAHAN, Intern
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of SB 154.

JAMES HOLZENBERG, Staff
Senator Forrest Dunbar
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for SB 239.

SENATOR CATHY GIESSEL, District E
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 257.

ANGELA RODELL, Staff
Senator Cathy Giessel
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for SB 257.

GWEN HOLDMANN, Senior Researcher
Associate Vice Chancellor for Research,
Innovation & Industry Partnerships UAF,
Alaska Center for Energy and Power (ACEP)
Fairbanks, Alaska

POSITION STATEMENT: Answered questions on SB 257.

ACTION NARRATIVE

[1:32:35 PM](#)

CHAIR JESSE BJORKMAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Dunbar, Merrick, and Chair Bjorkman.

SB 154-BIDDER PREF MILITARY CAREER SKILLS PROG

[1:33:33 PM](#)

CHAIR BJORKMAN announced the consideration of SENATE BILL NO. 154, "An Act relating to bidder preferences in state procurement."

[1:33:59 PM](#)

KALEB CALLAHAN, Intern, Senator Bill Wielechowski, Alaska State Legislature, Juneau, Alaska, provided an overview of SB 154 and explained that this would establish a two percent bidder preference for military service members who are transitioning to veteran status. In addition, businesses would be encouraged to partner with SkillBridge and other similar programs, creating additional procurement opportunities for veterans entering the civilian workforce.

[1:35:00 PM](#)

CHAIR BJORKMAN opened public testimony on SB 154; finding none, he closed public testimony.

[1:35:25 PM](#)

CHAIR BJORKMAN found no further questions or comments and solicited a motion.

[1:35:29 PM](#)

SENATOR MERRICK moved to report SB 154, work order 33-LS0545\B, from committee with individual recommendations and attached fiscal note(s).

[1:35:46 PM](#)

CHAIR BJORKMAN found no objection and SB 154 was reported from the Senate Labor and Commerce Standing Committee.

[1:35:56 PM](#)

At ease

SB 239-AIDEA WORKFORCE HOUSING DEVELOPMENT

[1:38:22 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 239, "An Act relating to the Alaska Industrial Development and Export Authority; and relating to workforce housing development projects."

[1:38:43 PM](#)

SENATOR FORREST DUNBAR, District J, Alaska State Legislature, Juneau, Alaska, sponsor of SB 239, informed the committee that those testifying by invitation were not able to attend the meeting and offered a brief overview of the legislation. He briefly explained genesis of SB 239, which would allow Alaska Industrial Development and Export Authority (AIDEA) to engage in financing for housing construction. He emphasized the importance of building more housing in the state. He stated that AIDEA agrees that housing for workers is a part of industrial development and building value-added industrial industries. He noted that AIDEA did take part in housing construction and financing in the early 1980s; however, a housing market crash ended this practice. He explained that while AIDEA is technically able to use their current resources to fund housing, the intention behind SB 239 is to make this explicit. He stated that this is not creating a mandate but states that AIDEA has the legal authority to finance housing construction. He stated that "multi-family workforce housing" is highlighted. He explained that the Bankers' Association was not comfortable with potentially competing with AIDEA for certain kinds of loans.

SENATOR DUNBAR said there are very few multi-family workforce housing projects currently under construction. He stated that the only projects he is aware of in Anchorage are funded by the Cook Inlet Housing Authority and he expressed the desire to see more private builders taking on these kinds of projects. He said

he is hopeful that AIDEA would provide additional financing mechanisms. He reiterated that this legislation is not prescriptive and leaves it to AIDEA to determine what this would look like in practice and added that AIDEA is comfortable with this insofar as no mandate is included. He said that Alaska Housing Finance Corporation (AHFC) does not oppose SB 239.

[1:42:35 PM](#)

JAMES HOLZENBERG, Staff, Senator Forrest Dunbar, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for SB 239.

[Original punctuation provided.]

SECTIONAL ANALYSIS

SB 239: AIDEA WORKFORCE HOUSING DEVELOPMENT

Section 1: AS 44.88.070: Adds new subsection 7 to AS 44.88.070 stating the purpose of the authority. Part of the mission of the authority will now be to provide financing and the means of financing construction of new workforce housing facilities with five or more units.

Section 2: AS 44.88.080: Adds new subsection 33 to AS 44.88.080, granting AIDEA the ability to provide the various means of financing and facilitating the financing of construction of new workforce housing facilities with five or more dwelling units.

Section 3: AS 44.88.900(6): Conforming change to extend the definition of "development project" to include workforce housing facilities with five or more dwelling units, as defined in the new section J.

Section 5: AS 44.88.900: Adds a new section J to define "workforce housing". Workforce housing will be defined as residential housing that costs the occupants less than 30 percent of the income of a household with 120 percent of the area median family income, as determined by the United States Department of Housing and Urban Development.

[1:44:45 PM](#)

SENATOR MERRICK asked if Senator Dunbar has spoken with any private contractors who have expressed interest in utilizing this program.

[1:44:55 PM](#)

SENATOR DUNBAR said that he has spoken with a developer who expressed interest; however, the developer does not build workforce housing and would therefore not be able to take advantage of this program.

[1:46:14 PM](#)

SENATOR DUNBAR asked if the committee would hear public testimony at this time.

[1:46:22 PM](#)

CHAIR BJORKMAN replied that public testimony was not noticed for this hearing; however, the committee is flexible if anyone present wished to testify.

[1:46:46 PM](#)

SENATOR DUNBAR thanked the committee for hearing the bill.

[1:46:57 PM](#)

CHAIR BJORKMAN held SB 239 in committee.

[1:47:05 PM](#)

At ease

SB 257-ELECTRIC UTILITY REGULATION

[1:49:11 PM](#)

CHAIR BJORKMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 257, "An Act relating to the Regulatory Commission of Alaska; relating to public utilities; relating to electric reliability organizations; relating to the Alaska Energy Authority; relating to the Railbelt Transmission Organization; and providing for an effective date."

[1:49:33 PM](#)

SENATOR CATHY GIESSEL, District E, Alaska State Legislature, Juneau, Alaska, sponsor of SB 257, explained that this legislation would establish a railbelt transmission organization that would oversee the function and dispatch of the lowest-cost electrons across a grid, thereby lowering consumers' cost. She emphasized the importance and need for this organization as Alaska moves toward lower cost electrons. In addition, this would make it possible for independent power producers - who are expanding the state's renewable energy access - to utilize the backbone transmission system. She expressed hope that reviewing

the sectional analysis would clear up confusion around what SB 257 does.

[1:50:51 PM](#)

ANGELA RODELL, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, presented a presentation on the sectional analysis for SB 257. She advanced to slide 2:

[Original punctuation provided.]

**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.

Section 2:

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.

MS. RODELL explained that current law requires RCA to consider cost and this would give RCA the option of adding these additional factors for consideration.

[1:52:54 PM](#)

CHAIR BJORKMAN asked if RCA has a hierarchy of needs or preference when deciding on a project - or rate in this case - that helps to determine whether the power is "good power" for a project or when creating a rate.

[1:53:20 PM](#)

MS. RODELL deferred to the RCA and said she would follow up with RCA's response.

[1:53:31 PM](#)

CHAIR BJORKMAN shared his understanding that reliability is a priority, along with markets (cost to produce power), quality of power, and other factors. He asked how SB 257 would help RCA make good decisions about permitting projects and rates - while

still prioritizing low costs for homeowners, members, businesses.

[1:54:19 PM](#)

MS. RODELL deferred to Gwen Holdmann.

[1:54:36 PM](#)

GWEN HOLDMANN, Senior Researcher, Associate Vice Chancellor for Research, Innovation & Industry Partnerships, UAF, Alaska Center for Energy and Power (ACEP), Fairbanks, Alaska, said that many projects developed at a given time may not be the lowest cost project. She offered the Bradley Lake Hydroelectric Project and explained that at the time of its construction, this was the most expensive project for the railbelt grid. She noted that this project was left out of regulation due to concerns that, if subject to regulation, it would not have been approved by the RCA, due to the cost of delivering power at the time of construction. However, this project currently provides one of the lowest forms of electric power on the grid. She suggested that there is a benefit to considering the future of these electric systems in order to create systems that best meet the needs of consumers both now and future - rather than focusing solely on present-day costs.

[1:55:52 PM](#)

CHAIR BJORKMAN asked if there were currently any projects that would benefit from the changes in Section 2.

[1:56:11 PM](#)

MS. HOLDMANN shared her understanding that SB 257 was not drafted with the intention of benefitting a particular project - and is not related specifically to renewable or non-renewable energy sources. She stated that "diversity of supply" could be interpreted as seeking more local energy sources that could displace declining Cook Inlet gas supplies. This could include increasing the amount of coal, etc.

[1:56:56 PM](#)

CHAIR BJORKMAN commented that this could include coal, hydroelectric sources, etc.

[1:57:02 PM](#)

MS. HOLDMANN said that this is correct.

[1:57:09 PM](#)

MS. RODELL advanced to slide 3 and continued the sectional analysis for SB 257:

[Original punctuation provided.]

**Improvements to the Electric Reliability Organization
(ERO)**

Section 3:

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 grid plan conducted by the Railbelt Transmission Organization. It also adds the requirement that the ERO prioritize reliability and stability of the system served by the ERO while also taking into account cost to the consumer.

[1:57:51 PM](#)

CHAIR BJORKMAN asked about the difference between participating in an integrated grid plan and developing a resource plan.

[1:58:05 PM](#)

MS. RODELL offered her understanding that the integrated grid plan takes all sections (including operations and management) of the transmission/grid system into account. In contrast, the integrated resource plan includes reliability standards as well as transmission, generation, and distribution. She explained that SB 257 bifurcates this requirement and instructs the electricity reliability organization (ERO) to focus on the reliability standards to ensure that the incoming electricity is reliable.

[1:59:21 PM](#)

MS. HOLDMAN clarified that an integrated resource plan typically focuses more on the generation assets of the system. Citing Hawaii as an example, she explained that as the grid evolves and power use changes, taking a wholistic approach across the entire system allows for continued system development and upgrades. This helps to ensure that consumer needs are met and prices contained. She agreed that this function is bifurcated away from EROs and places this responsibility with the Railbelt Transmission Organization (RTO). She explained that the ERO would remain responsible for setting (and enforcing) reliability standards and interconnection standards for utilities and independent power producers. She reiterated that "planning" is moved to RTO and is redefined as a more wholistic effort.

[2:00:57 PM](#)

MS. RODELL advanced to slide 4 and continued the sectional analysis for SB 257:

[Original punctuation provided.]

Clarifying the Responsibilities of an ERO

Section 4:

Amends AS 42.05.765(a) by clarifying that an ERO must develop, monitor, and enforce reliability standards and it is the responsibility of an ERO is to ensure the stable operation of the interconnect bulk-electric system served by an ERO and specifically require coordination with the Railbelt Transmission Organization (RTO) when developing reliability standards that impact the RTO.

[2:01:38 PM](#)

MS. RODELL advanced to slide 5:

[Original punctuation provided.]

Conforming the ERO Tariff to Streamlined ERO Duties

Section 5:

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 interconnection;

(B) standards for transmission system cost recovery;

MS. RODELL explained that this section ensures that the changes made by SB 257 do not conflict with existing statute.

[2:02:21 PM](#)

MS. RODELL advanced to slide 6 and continued the sectional analysis for SB 257:

[Original punctuation provided.]

Streamlining the ERO's Responsibilities

Section 6:

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.

Section 7:

Amends AS 42.05.785 to repeal (d) requiring the RCA to adopt regulations addressing projects undertaken before integrated resource plan approval for an interconnected electric energy transmission network.

[2:03:00 PM](#)

CHAIR BJORKMAN asked who would be considered "otherwise exempt".

[2:03:24 PM](#)

MS. RODELL deferred the question and offered her understanding of what is meant by "load-serving entity."

[2:03:38 PM](#)

MS. HOLDMANN explained that a "load-serving entity" is defined as a distribution utility with customers. She shared her understanding that the current section relates to the ERO and falls under RCA regulations.

[2:04:09 PM](#)

MS. RODELL agreed that this is correct. She then continued her discussion of section 7 on slide 6. She explained that this section brings RCA requirements in line with the new statutory language.

[2:04:57 PM](#)

MS. RODELL advanced to slide 7 and continued the sectional analysis for SB 257:

[Original punctuation provided.]

Administrative Needs - Conformity

Section 8:

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.

Section 9:

Amends AS 44.83.080 by adding to the powers of the Alaska Energy Authority the ability to carry out the duties and powers assigned under AS 44.83.700-44.83.750 (Section 10 creating the RTO) and adds the ability to acquire battery energy storage systems by construction, purchase, gift or lease.

[2:06:15 PM](#)

CHAIR BJORKMAN asked what is changing besides section 9, subsection 20.

[2:06:25 PM](#)

MS. RODELL answered that the RTO would be required to carry out the duties and powers assigned under AS 44.83.700-44.83.750. She explained that Section 10 creates these areas of statute - which create the RTO. She noted that this tells the ERO that the RTO would take on these responsibilities.

[2:07:10 PM](#)

MS. RODELL advanced to slide 8:

[Original punctuation provided.]

Creation of the Railbelt Transmission Organization

Section 10

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

44.83.700

(a) establishes the RTO under the Alaska Energy Authority for the purpose of developing a backbone transmission system for the Railbelt.

(b) 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 and the chair of the ERO; requires the RTO to establish a conflict resolution process, and facilitates public participation in the operations of the RTO.

(c) clarifies the RTO is subject to the jurisdiction of the Regulatory Commission of Alaska and the RCA will adopt regulations as necessary including defining by regulation the term "backbone transmission asset."

44.83.710 sets out the powers and duties of the RTO including managing Railbelt backbone transmission assets, follow reliability standards established by the ERO, ensure safe, resilient, reliable, efficient, and economical operation and development of the integrated transmission system, preserve non discriminatory open access, maintain capacity rights of legacy transmission owners and perform integrated transmission planning. The RTO is also given the authority to purchase, lease or acquire backbone transmission assets; construct, own, and operate new transmission assets; establish tariffs subject to the approval of the RCA and enter into contracts, agreements, and partnerships that enhance safety, reliability, and efficiency of the Railbelt integrated transmission system.

[2:08:29 PM](#)

SENATOR DUNBAR referred to Section b and shared his understanding that there are 4 railbelt utilities: Chugach Electric Association, Homer Electric Association, Matanuska Electric Association (MEA), and Golden Valley Electric. He asked if this is correct - or if other organizations would be considered "railbelt utilities."

[2:08:53 PM](#)

MS. RODELL said that Seward Electric Association may also be included. She added that "railbelt" is already defined in statute and this would help the RCA move forward.

[2:09:21 PM](#)

SENATOR DUNBAR commented that "railbelt" is defined and asked if there are any small utilities along the railbelt.

[2:09:52 PM](#)

MS. HOLDMANN replied that the five utilities mentioned are the only independent utilities with a load-servicing area along the

railbelt. She added that there is no reason to believe a new utility would be created in the future but acknowledged that it is a possibility.

[2:10:16 PM](#)

SENATOR DUNBAR pointed out that, as currently written, Seward Electric would have as much weight on the board as Chugach - despite the large difference in the size of the populations served. He asked if this would be an issue.

[2:10:47 PM](#)

MS. RODELL answered that they do not believe this would be an issue. She added that this management committee was inspired by the Bradley Lake management committee and shared her understanding that no issues have arisen for that committee due to the size of the customer base since 1987.

[2:11:17 PM](#)

SENATOR DUNBAR stated that he is not casting aspersions on Seward Electric and commented that it is interesting that Seward Electric would have the same voting authority as much, much larger utilities.

[2:11:37 PM](#)

CHAIR BJORKMAN directed attention to Section 10, AS 44.83.700(b)(3), and commented that there is discussion about separating governance and operations in many areas of government (e.g. education and fire service). He said that the sentence in this section appears to blur the lines between public participation and operations. He asked if there has been feedback from the utilities on this issue and if there is currently any public participation in the operation of the Bradley Lake Project.

[2:12:41 PM](#)

MS. RODELL shared her understanding that the Bradley Lake Project does not have an avenue for public participation. She added that she has not received comments from the utilities - or requests for the removal of this section. She stated that she is not aware of any concerns regarding this language and explained that the intent is to create a mechanism for public comment, given the number of people impacted by a railbelt transmission organization.

[2:13:26 PM](#)

CHAIR BJORKMAN asked Ms. Holdmann how public participation and operations for a transmission organization would work - and what the effect of public participation may be.

[2:13:43 PM](#)

MS. HOLDMANN offered her understanding that the desire is to have as much transparency as possible (e.g. one way of creating this transparency is to have RTO fall under RCA regulation) and to have robust public participation in the process. She suggested that the language of this subsection could be improved for clarity.

[2:14:19 PM](#)

CHAIR BJORKMAN said that constituents have expressed concerns about this line and indicated that it warrants further discussion. He said that if RTO is a management tool used to deliver massive amounts of electrons from Homer to Healy, it is important to separate the creation of the governance structure and standards from what it means to have an organization that is responsible for operating the backbone transmission.

[2:15:07 PM](#)

MS. RODELL continued her discussion of the slide 8:

[Original punctuation provided.]

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[2:16:16 PM](#)

MS. RODELL advanced to slide 9 and continued the sectional analysis for SB 257:

[Original punctuation provided.]

Duties of the New RTO

Section 10, continued

44.83.720 creates a revenue mechanism, subject to the approval of the RCA, whereby the RTO shall hold and administer an open access transmission tariff; shall adopt a transmission cost recovery methodology that ensures the reliability and sufficient capacity of the integrated transmission to support and promote the economy. In addition, the cost recovery methodology must eliminate per-unit wholesale transmission charges and pool backbone transmission costs and allocate those costs to end users.

44.83.730 requires the RTO to engage in integrated grid planning at least every 10 years. The plan must use a whole system approach which articulates the strategic trajectory, capital funding requirements and

outlook for the Railbelt transmission system and shall take into consideration technological advancements, load growth, fuel supply among others.

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

44.83.750 defines "backbone transmission system" as the assets of the interconnect electric energy transmission network that serves the Railbelt; defines "commission" as the RCA; defines "interconnected electric energy transmission network" as the same definition as that used for the ERO in 42.05.790; defines "Railbelt" as the area of Alaska that ranges from the Kenai Peninsula to Interior Alaska, connected by a common electric transmission backbone; defines "railbelt utility" to mean a public utility certificated to operate in the Railbelt; and defines transmission organization to the RTO established in this bill.

MS. RODELL said that this section eliminations "wheeling" and "pancaking" - which have been referred to in previous presentations.

[2:17:02 PM](#)

CHAIR BJORKMAN said that, on the Kenai peninsula, Homer Electric Association (HEA) is planned to be islanded for 4-5 months out of the year, for many years - which limits their ability to sell power off the peninsula (if independent power producers (IPP) were to be cited there or if they were to have excess generation during those months). He asked if there is a mechanism that would reduce tariffs and cost recovery from the ERO or otherwise compensate HEA members during this time.

[2:18:07 PM](#)

MS. RODELL shared her belief that this is one reason SB 257 is important - it creates an organization that requires all of the utilities to come together to find a solution and put together a tariff request for the RCA. She added that, without SB 257, there is no requirement for the utilities to coordinate with HEA.

[2:18:43 PM](#)

MS. HOLDMANN expressed confusion about the idea that HEA would be "islanded" because the Bradley Lake Hydroelectric Project - the state's most important asset - is on the Kenai Peninsula. She said that the idea of disconnecting the asset - thus removing access to this power source - does not make sense. She surmised that there is a bottleneck in the system - meaning that it is fully committed to moving the power off of the Kenai Peninsula - which prevents the use of the same asset to move the power in the other direction. She emphasized the importance of building out new assets to free up bottlenecks in the system and creating secondary sources power flowing both on and off the Kenai Peninsula. She referred to a recently approved Grid Resilience and Innovation Partnerships (GRIP) proposal and stated that this is one component of this proposal (which requires a 50 percent non-federal funding match).

[2:20:14 PM](#)

CHAIR BJORKMAN shared his knowledge of HEA's history of islanding. He shared his understanding that Bradley Lake power is used on the Kenai Peninsula and gave a brief overview of this process. He noted that HEA does not financially benefit from being islanded - the savings received must be shared with the other utilities based on the Bradley management agreement. He suggested that Curtis Thayer or Brian Hickey could speak to this at a future hearing.

[2:21:19 PM](#)

SENATOR DUNBAR said he has heard conflicting descriptions of RTO and what it does. He asked if RTO would be a systems operator.

[2:22:24 PM](#)

MS. RODELL answered no.

[2:22:31 PM](#)

SENATOR DUNBAR noted that some advocates have said that a systems operator is needed. He questioned if this would be considered at a later stage - or whether utilities would be able to do this independently, without the centralization that is seen in Iceland.

[2:23:10 PM](#)

MS. HOLDMANN agreed that this does not include a systems operator element. She explained that SB 257 includes a portion of what is done in Iceland - it does not include the dispatch of power (which will still be done by the utilities). She explained that the main advantage of a systems operator is to ensure economic dispatch - i.e. that the lowest cost source of power is

turned on first and that this energy is flowing to consumers across the system. She expressed her hope that by setting this structure in place - and eliminating wheeling - there would be a natural movement by the utilities toward a natural structure of economic dispatch across the grid. She noted that, to some extent, this has been mandated by the RCA and proposed that natural market forces would do the rest. However, if that does not happen, the legislature could choose to mandate this in the future.

[2:25:16 PM](#)

SENATOR DUNBAR said he has heard two conflicting views of the management of assets. He shared his understanding that management does not mean ownership - therefore, the facilities would still be owned by the utilities but managed by RTO. He questioned what this would look like when put into action. Specifically, whether AEA (on RTO's behalf) would build its own workforce or manage without taking the work from the utilities.

[2:26:23 PM](#)

MS. RODELL answered that it is not the intent to have RTO build up its own workforce. She noted that this was based on the Bradley Lake management model, where the utilities remain responsible for agreements to manage the assets. She said that the backbone transmission assets would be managed collectively. She explained that one utility would not decide on its own about backbone transmission assets; instead, this would be discussed - and decisions - made collectively within the RTO management framework.

[2:27:15 PM](#)

SENATOR DUNBAR offered examples and asked how outages along the railbelt would be dealt with.

[2:27:44 PM](#)

MS. RODELL said that these details would be worked out when RTO is formed. However, she suggested that MEA would likely fix the assets and pass along the costs to the RTO.

[2:28:13 PM](#)

MS. HOLDMANN explained that the Alaska Energy Authority (AEA) currently owns about one third of the transmission assets and does not have a labor force to work on those assets. AEA has an agreement with local utilities to conduct any necessary maintenance or repairs on the Alaska Intertie and the Sterling to Quartz Creek (SSQ) Line. She said that, while significant

unexpected issues can arise, the costs are well understood and thus possible to predict and plan for.

[2:29:06 PM](#)

MS. RODELL continued her discussion of slide 9:

[Original punctuation provided.]

Duties of the New RTO

Section 10, continued

44.83.720 creates a revenue mechanism, subject to the approval of the RCA, whereby the RTO shall hold and administer an open access transmission tariff; shall adopt a transmission cost recovery methodology that ensures the reliability and sufficient capacity of the integrated transmission to support and promote the economy. In addition, the cost recovery methodology must eliminate per-unit wholesale transmission charges and pool backbone transmission costs and allocate those costs to end users.

44.83.730 requires the RTO to engage in integrated grid planning at least every 10 years. The plan must use a whole system approach which articulates the strategic trajectory, capital funding requirements and outlook for the Railbelt transmission system and shall take into consideration technological advancements, load growth, fuel supply among others.

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

44.83.750 defines "backbone transmission system" as the assets of the interconnect electric energy transmission network that serves the Railbelt; defines "commission" as the RCA; defines "interconnected electric energy transmission network" as the same definition as that used for the ERO in 42.05.790; defines "Railbelt" as the area of Alaska that ranges from the Kenai Peninsula to Interior Alaska, connected by a common electric transmission backbone; defines "railbelt utility" to mean a public utility certificated to operate in the Railbelt; and defines

transmission organization to the RTO established in this bill.

[2:30:39 PM](#)

MS. RODELL advanced to slide 10 and continued the sectional analysis for SB 257:

[Original punctuation provided.]

Final Implementation

Section 11

Repeals AS 42.05.780 and 42.05.785(b) which sets forth integrated resource planning and integrated resource planning tariffs for the ERO.

Section 12

Sets the directive for Alaska Energy Authority and the Regulatory Commission of Alaska to adopt the necessary regulations to implement the changes made by Senate Bill 257.

Section 13

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

Section 14

Sections 12 and 13 take effect immediately.

Section 15

All other sections take effect July 1, 2024.

[2:32:04 PM](#)

CHAIR BJORKMAN asked if changes to ERO board membership qualifications (e.g. requiring expertise in the generation of electrons) have been considered.

[2:32:57 PM](#)

MS. RODELL answered that no one has requested this change and added that this could be discussed further.

[2:33:24 PM](#)

SENATOR GIESSEL expressed gratitude for the hearing and discussion of SB 257 that provided an opportunity to clarify misunderstandings. With respect to changing the ERO board qualification requirements, she said this is an interesting idea to consider.

2:34:30 PM

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Labor and Commerce Standing Committee meeting at 2:34 p.m.