

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

April 19, 2024

3:31 p.m.

**MEMBERS PRESENT**

Senator Click Bishop, Co-Chair  
Senator Cathy Giessel, Co-Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Scott Kawasaki  
Senator James Kaufman  
Senator Forrest Dunbar  
Senator Matt Claman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

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."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 217

SHORT TITLE: INTEGRATED TRANSMISSION SYSTEMS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/02/24	(S)	READ THE FIRST TIME - REFERRALS
02/02/24	(S)	RES, L&C, FIN
03/04/24	(S)	RES AT 3:30 PM BUTROVICH 205
03/04/24	(S)	Heard & Held
03/04/24	(S)	MINUTE(RES)
03/13/24	(S)	RES AT 3:30 PM BUTROVICH 205
03/13/24	(S)	Heard & Held
03/13/24	(S)	MINUTE(RES)
03/25/24	(S)	RES AT 3:30 PM BUTROVICH 205
03/25/24	(S)	Heard & Held
03/25/24	(S)	MINUTE(RES)
04/19/24	(S)	RES AT 3:30 PM BUTROVICH 205

## WITNESS REGISTER

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

**POSITION STATEMENT:** Presented the sectional analysis for SB 217.

JOEL GROVES, Chair  
Railbelt Reliability Council  
Anchorage, Alaska

**POSITION STATEMENT:** Presented an overview of the Railbelt Reliability Council.

TONY IZZO, Chief Executive Officer (CEO)  
Matanuska Electric Association  
Palmer, Alaska

**POSITION STATEMENT:** Testified by invitation on SB 217

## ACTION NARRATIVE

[3:31:10 PM](#)

**CO-CHAIR CATHY GIESSEL** called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Kawasaki, Dunbar, Claman, and Co-Chair Giessel.

### SB 217-INTEGRATED TRANSMISSION SYSTEMS

[3:31:48 PM](#)

**CO-CHAIR GIESSEL** announced the consideration of 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."

[3:32:00 PM](#)

**CO-CHAIR GIESSEL** solicited a motion.

[3:32:06 PM](#)

**SENATOR CLAMAN** moved to adopt the Committee Substitute (CS) for SB 217, work order 33-GS2489\B, as the working document.

[3:32:18 PM](#)

**CO-CHAIR GIESSEL** objected for purposes of discussion.

[3:32:30 PM](#)

At ease

[3:32:51 PM](#)

CO-CHAIR GIESSEL reconvened the meeting.

[3:32:56 PM](#)

SENATOR CLAMAN moved to adopt the Committee Substitute (CS) for SB 217, work order 33-GS2489\S, as the working document.

[3:33:09 PM](#)

CO-CHAIR GIESSEL objected for purposes of discussion.

[3:33:17 PM](#)

ANGELA RODELL, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for SB 217:

[Original punctuation provided.]

**CS FOR SENATE BILL 217 (RES)  
INTEGRATED TRANSMISSION SYSTEMS  
SECTIONAL ANALYSIS (Version S)**

**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).

**Section 2:** Amends AS 42.05.254(a) to increase the regulatory surcharge used to fund operations of the RCA.

**Section 3:** 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.

**Section 4:** Amends AS 42.05 by adding a new subsection that provides for a net billing system which allows customers to receive export rate credits for electric energy produced and requires the RCA to set through regulation the export rate credit annually based on seasonal and time variations, and other relevant factors.

[3:34:56 PM](#)

MS. RODELL continued her presentation of the sectional analysis of SB 217:

[Original punctuation provided.]

**Section 5:** Amends AS 42.05.431(b) by requiring that power purchase agreements subject to RCA approval must pass through any tax benefits to consumers.

**Section 6:** Amends AS 42.05 by adding a new section that exempts small projects, under 15,000 kilowatts, from RCA approval.

**Section 7:** Amends AS 42.05.762 by adding the requirement that the electric reliability organization (ERO) prioritize reliability and stability of the system served by the ERO while also taking into account cost to the consumer.

**Section 8:** Amends AS 42.05.770(1) requiring that an ERO tariff include nondiscriminatory for interconnection and repeals portion of the tariff to include standards for transmission system cost recovery.

**Section 9:** 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 (RTO) to integrate reliability standards into the load-serving entity's operational procedures.

**Section 10:** 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.

[3:36:46 PM](#)

MS. RODELL continued her presentation of the sectional analysis of SB 217:

[Original punctuation provided.]

**Section 11:** Amends AS 42.06.286(a) to increase the regulatory surcharge used to fund operations of the RCA.

**Section 12:** Amends AS 43.98 to add new subsections providing for the tax exemption of electricity sold wholesale by independent power producers and new utilities in unserved areas to cooperative or municipal utilities.

**Section 13:** Amends AS 44.83.030 to create a stand-alone eight-member board of directors for the Alaska Energy Authority (AEA) that includes the commissioner of Commerce, Community & Economic Development, the commissioner of Revenue and six members of the public that meet specific qualifications.

**Section 14:** Amends AS 44.83.030 to allow the commissioners the ability to designate a deputy or director to act in the commissioner's place; sets the public member term at three years; and provides for the governor to immediately appoint a member to fill and unexpected vacancy.

**Section 15:** Amends AS 44.83.040(a) to require the authority to elect a chair and vice chair every two years, requires that five members to constitute a quorum and that actions taken, and motions and resolutions adopted require an affirmative vote of five members.

**Section 16:** Amends AS 44.83.080 by adding to the powers of the AEA the ability to carry out the duties and powers assigned under AS 44.83.700-44.83.750 and added the ability to acquire energy storage systems by construction, purchase, gift or lease.

**Section 17:** Amends AS 44.83 by adding a new subsection creating the RTO. AS 44.83.700

(a) establishes the RTO under the AEA 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 AEA and as ex-officio, non-voting member, the Chief Executive Officer 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 cannot limit, extend, or alter the rights conferred by a certificate of public convenience and necessity.

3:39:30 PM

MS. RODELL continued her presentation of the sectional analysis of SB 217:

[Original punctuation provided.]

**AS 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 nondiscriminatory 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. The RTO may not exchange, donate, sell or convey a backbone transmission asset without the prior approval of the Legislature. Work performed on new construction and maintenance shall be prioritized to the utility and must be subject to the terms and conditions of existing collective bargaining agreements.

3:40:25 PM

MS. RODELL continued her presentation of the sectional analysis of SB 217:

[Original punctuation provided.]

**AS 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.

**AS 44.83.730** requires the RTO to engage in integrated transmission planning at least every ten 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.

**AS 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.

**AS 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.

**Section 18:** Sets the directive for AEA and the RCA to adopt the necessary regulations to implement the changes.

[3:42:15 PM](#)

MS. RODELL continued her presentation of the sectional analysis of SB 217:

[Original punctuation provided.]

**Section 19:** Requires AEA to immediately begin an initial transmission plan and capital improvement program.

**Section 20:** Allows members serving as commissioners to the RCA to continue to serve until their individual term has expired and a successor appointed and qualified.

**Section 21:** Creates a transition for the initial appointment of two public members of the AEA Board to a one-year term, two additional public members to a two-year term, and the remaining two members to a three-year term.

**Section 22:** Sections 18 and 19 take effect immediately.

**Section 23:** All other sections take effect July 1, 2024.

[3:43:06 PM](#)

CO-CHAIR GIESSEL removed her objection and CSSB 217, work order 33-GS2489\S was adopted.

[3:43:15 PM](#)

CO-CHAIR GIESSEL announced invited testimony on SB 217.

[3:44:26 PM](#)

JOEL GROVES, Chair, Railbelt Reliability Council, Anchorage, Alaska, presented an overview of the Railbelt Reliability Council (RRC). He briefly described his work in the industry and as an RRC board member.

[3:45:52 PM](#)

MR. GROVES moved to slide 2 and provided a presentation outline:

[Original punctuation provided.]

**Presentation Outline**

- L48 / Alaska EROs
- RRC Mission
- Structure
- Implementation / Status

- Funding / Historical Spend

[3:46:30 PM](#)

MR. GROVES moved to slide 3 and summarized the differences between electric reliability organizations (ERO) in the Lower 48 and Alaska. He explained that EROs governing the Lower 48 were created by Congress in the 2005 Energy Policy Act and are under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and the North American Electrical Reliability Corporation (NERC). He pointed out that there are six regional EROs and added that the scope of Lower 48 EROs is limited to reliability standards (i.e. the rules governing how the bulk electric system is operated). He explained that Alaska does not fall under federal ERO jurisdiction; Alaska's ERO were created by the legislature in 2020. He said that the railbelt utilities created voluntary reliability standards in 2018 (updated in 2018 and based on NERC standards) which remain in effect. He emphasized that these are voluntary, with no mandatory enforcement or compliance requirements.

MR. GROVES referred to SB 123, which created a reliability standard framework (this included a monitoring and standard enforcement program and enhanced grid reliability). He explained that this is administered through the Regulatory Commission of Alaska (RCA) through regulation and certificate. He added that RRC is the current certificated ERO for the railbelt. He stated that Alaska's ERO serves a smaller group than those in the Lower 48. Additionally, while Lower 48 EROs are limited to reliability standards, Alaska's ERO also has a planning function.

[3:49:08 PM](#)

CO-CHAIR GIESSEL asked him to translate the acronyms on slide 3.

MR. GROVES defined the following acronyms on slide 3:

- Electric Reliability Organization (ERO)
- Railbelt Reliability Council (RRC)
- Federal Energy Regulatory Commission (FERC)
- North American Electrical Reliability Corporation (NERC)
- Regulatory Commission of Alaska (RCA)

CO-CHAIR GIESSEL offered her understanding that RRC is the Alaska ERO; therefore, these two terms (ERO and RRC) can be considered interchangeable within the state. She asked if this is a correct statement.

MR. GROVES replied that this is partially correct. He explained that RRC is not the Alaska ERO but is the ERO for the Railbelt bulk electrical system. He noted that RRC is currently the only ERO in Alaska under the ERO regulations. He suggested that more may exist in the future, under other jurisdictions.

CO-CHAIR GIESSEL expressed appreciation for this clarification.

[3:51:23 PM](#)

MR. GROVES advanced to slide 4 and explained the ERO statutory mandate:

[Original punctuation provided.]

#### **ERO Statutory Mandate**

- Develop and Enforce Reliability and Security Standards. AS 42.05.762(1); AS 42.05.765(a)(2)
- Develop a comprehensive Integrated Resource Plan (IRP) for the Railbelt Bulk Electric System. AS 42.05.762(2)
- Develop and administer non-discriminatory open access transmission and interconnection standards. AS 42.05.770(1)(A)
- Develop and administer transmission system cost recovery standards. AS 42.05.770(1)(B)

MR. GROVES said that, with the exception of the first point, these are addressed by SB 217.

[3:52:43 PM](#)

CO-CHAIR GIESSEL expressed appreciation for the inclusion of an image of the Alaska railbelt. She compared this to the image on slide 3 and briefly discussed their similarities and differences.

[3:53:27 PM](#)

MR. GROVES said that in the Lower 48, the grid is more of a web. He contrasted this with the Alaskan "grid" which is linear. He briefly described the pathways of the Alaska transmission grid and acknowledged that this is not a robust transmission system. He opined that referring to it as a "grid" is a mild exaggeration.

[3:54:15 PM](#)

CO-CHAIR GIESSEL opined that the single extension cord backbone of Alaska's transmission grid is not very reliable and commented that RRC is a "reliability" corporation.

[3:54:32 PM](#)

MR. GROVES opined that the electrical utilities have done a great job providing reliable service over the decades; however, the existing institutional framework has limitations. He added that SB 217 would implement reforms in an effort to match the necessary institutional maturation of the railbelt. He added that RRC was created to advance these reforms.

[3:55:13 PM](#)

MR. GROVES moved to slide 5 and explained the mission and vision of the RRC:

[Original punctuation provided.]

#### **RRC's Vision & Mission**

VISION: A safe, environmentally responsible, reliable, and affordable regional bulk electric system.

MISSION: Serve the public interest and provide the greatest long-term value to the Railbelt by working collaboratively and transparently to establish and uphold protocols that sustainably balance safety, reliability, cost and environmental responsibility

MR. GROVES said the RRC mission statement is a work in progress.

[3:56:12 PM](#)

MR. GROVES moved to slide 6 and spoke to the RRC structure and its governance:

[Original punctuation provided.]

#### **RRC Structure & Governance**

- 501(c)(4) Non-Profit Corporation
- Combination balanced stakeholder / independent Board of Directors
- 13 Voting Directors
  - 6 utilities (CEA, GVEA, HEA, MEA, Seward, Doyon Utilities)
  - Alaska Energy Authority

- 2 independent power producers
- 1 seat advocating for residential-small commercial ratepayer interests
- 1 seat large commercial and/or industrial ratepayer interests
- 1 seat representing environmental ratepayer interests
- 1 independent, non-affiliated seat
- 2 Ex-Officio Directors - RCA and RAPA
- Each seat consists of two individuals, a primary and an alternate Director

MR. GROVES said he occupies one of the independent power producer seats.

[3:57:48 PM](#)

SENATOR CLAMAN asked if the board has a super majority voting requirement and, if so, whether this is a statutory requirement.

MR. GROVES replied that the board does have a super majority voting requirement for specific measures (e.g. annual budget). He explained that this means 9 of the 13 voting directors must approve the measure. All other measures require a simple majority, which is 7 of 13 voting to approve. He said that this is not a statutory requirement but was implemented when RRC was created.

[3:59:20 PM](#)

CO-CHAIR GIESSEL asked what RAPA is.

MR. GROVES replied that this is the Regulatory Affairs and Public Advocacy Agency (RAPA), which advocates for the public interest with regard to utilities.

CO-CHAIR GIESSEL asked how 13 voting directors was determined.

MR. GROVES replied that, in 2019, when SB 123 was under consideration, the railbelt utilities formed a memorandum of understanding (MOU) that established a 12-person implementation committee for RRC (i.e. the Railbelt Reliability Corporation Implementation Committee (RRC IC)). RRC IC consisted of 6 utilities and 6 non-utility seats. He explained that this was a prototype for the RRC board, which later evolved into a 13-person board.

[4:01:22 PM](#)

CO-CHAIR GIESSEL asked if Mr. Groves was an original member of the board.

MR. GROVES replies yes. He briefly explained his role on the board and that of the previous board chair.

[4:02:10 PM](#)

MR. GROVES advanced to slide 7 and discussed a graphic depicting the current vision for the future structure of RRC. He stated that the board of directors is full and RRC is currently seeking a Chief Executive Officer (CEO). He added that, once the CEO is on board, the remaining staffing spots (related to various business and engineering functions) will be filled in. He noted that the bottom portion of the chart shows what the board has envisioned; however, he acknowledged that the CEO may choose to rework this in order to make RRC as efficient as possible.

[4:03:18 PM](#)

MR. GROVES advanced to slide 8 and discussed the history of the Alaska ERO project:

[Original punctuation provided.]

#### **A BRIEF HISTORY OF THE ALASKA ERO PROJECT**

##### **KEY MILESTONES - PREDECESSORS TO FULFILLING MANDATES**

- Funded April 2023 (12 months ago)
- Rules approved Jan. 2023 (15 months ago)
- Tariff approved Nov. 2023 (5 months ago)
- Final 2023 surcharge approval Nov. 2023 (5 mon. ago)
- CEO & Staff hiring (in progress)

MR. GROVES explained that RRC has spent the past four years addressing regulatory requirements in order to begin focusing on the work it was created to do. He pointed out that the information on the slide is divided into three sections: higher authorities, RRC organizational work, and RRC mission work. He briefly discussed the timeline, beginning with the formation of the Railbelt Reliability Corporation Implementation Committee (RRC IC), the passage of SB 123, and the process of drafting and implementing the necessary regulations. He stated that the regulations became effective in December 2021, and this initiated a 90-day application window in which RCA would accept

applications for entities to become the registered ERO for the railbelt.

[4:05:31 PM](#)

MR. GROVES stated that RRC IC submitted its application in March of 2022. RCA undertook a 6-month investigation to consider the application, giving final approval in September 2022. At that time, RRC IC was certified to act as the ERO for the railbelt. He said that the initial budget and initial tariff proposal were filed in 2023. Both were suspended by RCA into an investigation docket. He explained the process of consolidation, settlement, and the scope of these dockets. Funding for RRC was approved in April of 2023. The proposed budget and tariff received final approval from RCA in November. He emphasized that this was a 4-year process and RRC's regulatory approval was only finalized over the past 5-15 months. The CEO search began in the summer of 2023 and is ongoing. He briefly discussed this process. He said that, as a result of the delay in finding a CEO, RRC hired a chief administrative officer (CAO) and a chief technical officer (CTO) on an interim basis. He stated that reliability standards will move through the process for approval in an attempt to expedite the mission of the ERO while the search for a CEO continues.

[4:09:52 PM](#)

SENATOR KAWASAKI asked how large the ERO is.

[4:10:09 PM](#)

MR. GROVES replied that the ERO currently does not have staff or employees and is made up of the board of directors. He explained that the board of directors is a working board at this time (and will be a governing board in the future). He gave a brief overview of the board make up, including 13 board members and 13 alternate board members. In addition, there are several consultants, as well as the CTO and CAO. He added that the ERO does not have a physical location and meets in online spaces or rented meeting spaces. He surmised that, when fully established, the ERO would have between 5-10 employees.

[4:11:46 PM](#)

SENATOR CLAMAN stated that he has heard criticism regarding RRC's slow progress. He asked Mr. Groves to respond to this. He asked whether RRC expects a faster pace going forward.

[4:12:17 PM](#)

MR. GROVES replied that he has also heard this, and expressed strong disagreement with the notion that RRC has not

accomplished anything. He reframed the criticism and commented that an information vacuum may be responsible for this misunderstanding. He referred to the information on slide 8 and argued that RRC has been working hard for several years to meet regulatory requirements in order to reach the starting line. He questioned how this process could have gone faster and said that he would have preferred a faster process. He shared several ways RRC attempted to expedite the process and pointed out that RCA chose to take the process step-by-step. He reiterated that the process itself takes time. In terms of future timing, he shared the anticipated timing of reliability standards and the IRP and noted that some of these must be done one at a time (which takes longer than when done in tandem). He emphasized that RRC is eager to begin work. He referred to concerns around gas supplies in Cook Inlet and said that many stakeholders on the board would like to see the IRP already completed in order to have more guidance on how to address this issue. He argued that an IRP takes time.

[4:15:27 PM](#)

SENATOR DUNBAR referred to page 11 of CSSB 217 which states that the CEO of the reliability organization is an ex officio member of the management committee of the RTO, with an effective date of July 1; however, he noted that Mr. Groves expects hiring the CEO by the end of the year. He asked for clarification.

[4:16:13 PM](#)

MR. GROVES agreed that the CEO would be hired by the end of the year at the latest and if not by summer. He indicated that the CEO would be hired in time to meet the requirements of the RTO board.

[4:16:39 PM](#)

SENATOR DUNBAR asked if it would make sense to have a delegate for the CEO who could step in to make decisions when the CEO is not available.

[4:17:19 PM](#)

MR. GROVES replied that there are currently multiple delegates acting as CEO in different ways. He noted that he is one such delegate. He offered examples of situations in which the delegates may step forward to act as CEO.

[4:17:56 PM](#)

SENATOR DUNBAR noted that, as the statute is currently written, only the CEO can serve in this role. He suggested that the

language be changed to specifically allow for this. He opined that RRC should have a role on the management council.

[4:18:36 PM](#)

MR. GROVES moved to slide 9 and spoke to the RRC funding mechanism:

[Original punctuation provided.]

### **RRC Funding & Spend to Date**

#### **2020 to 3/31/2023:**

- Funded directly by utilities through Memorandum of Understanding.

#### **4/1/2023 to Current:**

- Surcharge invoiced to utilities.
- Cost ultimately borne by ratepayers.
- Balancing account addresses revenue / expenses.
- Annual Budget / Surcharge to RCA for review / approval.
- 2024 / 25 budget is around \$0.001 per kWh, or 0.5 percent increase in retail rates.

#### **Future:**

- CEO vision for organizational structure / staffing / work plan.
- Stakeholder / public engagement in budget / work plan development process.
- RCA approves all RRC Surcharges.

MR. GROVES briefly explained that the first round of funding (\$2.4 million) covered consulting costs associated with producing and facilitating RRC and noted that the participants were uncompensated during that time. He added that this cost was paid by the utilities and ultimately borne by ratepayers, though he does not know the specifics of this. He explained that the RRC surcharge went into effect April 1, 2023, and explained how this surcharge is levied and allocated.

[4:21:00 PM](#)

MR. GROVES referred to the table on slide 9 and pointed out that expenses were \$0.9 million for April 1-December 31 of 2023. The 2024 budget has been approved on an interim, non-refundable basis and is \$3.6 million. He noted that a 2024 supplemental budget has been filed with RCA to cover costs related to hiring

the CTO. He stated that budgets have not been developed for 2025 and beyond and said that the budget could be around \$5 million.

[4:24:26 PM](#)

CO-CHAIR GIESSEL directed attention to the 2024 budget, which shows an increase of \$1.3 million. She asked for clarification that this was related to the hiring of the CTO. She remarked that this is a steep cost and asked what the RTO's wage is.

[4:25:00 PM](#)

MR. GROVES replied that this cost applies to multiple people. He explained that this includes the CTO and two additional engineers.

[4:25:54 PM](#)

CO-CHAIR GIESSEL wondered how many staff RCA has and commented that the RRC seems to be expanding to the size of RCA. She clarified that this is a rhetorical question. She noted that a CEO has yet to be hired and surmised that the budget may see a significant increase in 2025.

[4:26:49 PM](#)

MR. GROVES opined that comparing RCA and RRC is akin to comparing apples to oranges. He said that RRC is tasked with developing content (e.g. reliability standards and integrated resource plans) while RCA is a review entity. He surmised that RCA is able to do more with less because it does not create original content. He explained that the 2024 budget assumes that a CEO would be hired mid-year and thus includes the CEO salary for this timeframe. He expressed hope that the proposed \$5 million is close to the correct amount and that the CEO would be cognizant of the political pressure for RRC to perform efficiently and cost-effectively. He said that the board will be looking to the CEO to maximize efficiency while minimizing costs in order to maximize value to ratepayers - with the hope that this would be done as quickly as possible. He acknowledged that this will be a challenge.

[4:28:48 PM](#)

CO-CHAIR GIESSEL noted that Mr. Groves is currently acting as CEO. She opined that a 13-member group is a large group to manage and surmised that it is difficult to persuade members to nimbly implement policy. She asked how this has worked so far.

[4:29:20 PM](#)

MR. GROVES replied that it has worked better than he expected. He commented on the time required to communicate with each board

member individually. He indicated that all board members dedicate a significant amount of time to their work; however, they have full-time jobs in addition to RRC positions. RRC has a labor resource scarcity as a result. He stated that this would continue to be a challenge until a CEO is brought onboard and shared that he is looking forward to that time. He said that the board is diverse, but members share a common vision. He shared his hope that the board would be a smaller, independent board in the future; however, this is not likely to be a reality until RRC has proven its ability to do the work without input from the utilities. He stated that this is the path taken by most boards in the Lower 48.

[4:31:57 PM](#)

MR. GROVES advanced to slide 10 and discussed the RRC guiding principles:

[Original punctuation provided.]

### **Guiding Principles**

- Expedite Efficient Implementation of ERO Work
  - March 2022 Tariff approval petition / motion
  - Feb. 2023 Stipulated Settlement Negotiations
  - CAO and CTO interim hires to arrest impact of CEO recruitment delays
- Proactive Stakeholder Engagement
  - 2024 Budget and Workplan Outreach (May to November)
  - 2025 Budget - similar engagement strategy
  - Adapting 2024 Budget investigations to include product development scope
- Transparency and Openness
  - Meeting notices and protocols, website
- Collaborative Stakeholder Dialog / Leadership

[4:32:20 PM](#)

MR. GROVES stated that ERO has brought new industry stakeholders into a leadership role, which is a new occurrence. He opined that this is a very exciting and impactful innovation, the full implications of which are yet to be seen. He commented that great things may come from this.

[4:33:52 PM](#)

CO-CHAIR GIESSEL thanked Mr. Groves for his commitment to serve on the board and acknowledged the time commitment this requires. She expressed appreciation for his presentation.

4:34:58 PM

TONY IZZO, Chief Executive Officer (CEO), Matanuska Electric Association, Palmer, Alaska, testified by invitation on SB 217. He gave a brief overview of his industry experience. He stated that MEA is supportive of the goals and concepts in SB 217 but had concerns about specific provisions in the original legislation. He shared his belief that the majority of these concerns were addressed by CSSB 217. He stated that the CS clarifies intent, adds key provisions to help enable the desired goals and supports RCA having the necessary funding and expertise required. He commented on RCA's workload and opined that it is important to provide RCA with the resources needed to ensure success. He noted that CSSB 217 provides tax parity for independent power producers (IPP). MEA has a bias toward buying power from IPPs and supports private sector development. He shared his belief that providing a strong IPP sector would result in reduced rates for consumers and would diversify the fuel supply.

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MR. IZZO said that CSSB 217 creates an energy-focused and diverse board of directors for the Alaska Energy Authority (AEA), providing AEA with the authority to be a stronger force in the transition. He expressed support of RTO as a management committee. He noted that there are two management committees currently, the Intertie Management Committee and the Bradley Project Management Committee. He explained that management committees are transparent and are subject to the open meetings act. He expressed confidence that this transparency will extend to the RTO structure. He noted that CSSB 217 provides RCA with additional reasons to consider a utility's rates to be "just and reasonable." He opined that it will be critical for factors related to fuel supply, load growth, and enhancing energy reliability and security to be available to RCA as they review and approve purchase agreements going forward. He stated that the two key agreements include developing RTO. He expressed support of language that directs RTO to provide governance structure and cost recovery mechanism (either date certain or developed by RCA). He stated that RTO is essential for management of the transmission backbone, and this backbone is essential for the greater good of railbelt power consumers. He added that CSSB 217 removes economic distortions and ensures that the lowest cost power reaches all consumers.

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MR. IZZO shared his belief that, if no legislation were passed to address this issue, current practices would remain in place. He stated that this would result in myopic decisions, potential limited development of projects by IPPs, more expensive small projects, and continued dysfunction. He contrasted "high functioning" and "dysfunctional" and said that, while the current system is no longer "dysfunctional," it is not yet "high functioning." He said that there may be confusion on Grid Resilience and Innovation Partnerships (GRIP) assets and utilities may need to decline IPP projects due to uncertainty of pancaked wheeling charges. He opined that this would send the message that Alaska is unable to put together the structure needed to maximize the benefit of the current GRIP award - and a potential second GRIP award that would allow the grid to reach Healy.

MR. IZZO wondered what would happen if version A of SB 217 were to pass. He asserted that this version did not resolve the real issue. He opined that the Governor's press release on SB 217 was in line with the Governor's energy task force's number one recommendation on transmission unification. (He noted that he is co-chair of the aforementioned task force.) He stated that the energy task force's recommendations were vetted and formed with an open process over hundreds of hours. However, version A represents solutions formed outside of this public process. While version A addresses economic constraints, it does not consider the technical and institutional issues plaguing the railbelt. He acknowledged that version A would provide parity for IPPs; however, this would be done without ensuring that the grid is managed to the benefit of all users (i.e. 75 percent or more of Alaskans).

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MR. IZZO emphasized that this is a critical time to eliminate the three constraints on the railbelt grid. First, technical constraints can be resolved with GRIP funding. This would remove the extension cords north and south. Second, economic constraints can be removed by eliminating wheeling. Third, institutional constraints can be removed by forming the RTO. He noted that the third constraint is addressed by CSSB 217 but was not addressed by version A. He emphasized that removing one or two constraints - but maintaining the same dysfunctional system - would result in the same situation for Alaskans: short term decisions and actions focused on small service territories rather than the larger system.

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MR. IZZO offered an example to illustrate his concern and emphasized the importance of forming a transmission entity. He noted that GRIP opportunities are helpful; however, he opined out that attempting to move the state upward while being dragged down by inadequate infrastructure, antiquated systems, and dysfunctional structures puts the state at a disadvantage and puts its future at risk. He noted the success Iceland has experienced in this area and pointed out that this took time and included many challenges. He asserted that, due to the challenges Alaska has faced, it may not be possible to achieve the kind of success Iceland has experienced without the legislature's leadership.

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CO-CHAIR GIESSEL referred to an Alaska Energy Authority resolution that addressed GRIP funds. She shared her understanding that, according to the resolution, the State of Alaska would not be obligated to match or accept GRIP funds. She asked for clarification of these statements.

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MR. IZZO said that he was online for the meeting in which the resolution was discussed. He explained that the first GRIP application did not include a fund matching commitment by the state. He said that, while he would like the match to be required, he appreciates the transparency of not binding future administrations and legislatures to these significant funding matches. He shared his understanding that these details have not been worked out. He pointed out that the utilities also have a role in funding infrastructure improvements. He explained the types of projects being funded and noted that there is at least one major project each year. He suggested that, going forward, this funding would be addressed through bonding, state match, or a combination.

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SENATOR CLAMAN asked Mr. Izzo's perspective on the RRC's budget proposal. He opined that the budget is large relative to the amount of work that has been done and expressed concern that RRC's progress has been slow.

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MR. IZZO replied that both he and MEA supported the passage of SB 123. He shared his belief that this was necessary institutional reform and briefly discussed the cooperative

business model and generational planning. He shared that it has been difficult to wait for the RRC to move through the process; however, he emphasized that Mr. Groves has done a good job. He said he looks forward to the hiring of a CEO. He expressed concern about the budget and recalled reading that a potential future budget could be as high as \$10 million. He contrasted the work done by RRC and RCA and shared his belief that - although RCA does not create content - the work done by RCA is highly complex. He briefly discussed the work done by RCA to underscore this and pointed out that RCA's budget is much lower than \$10 million. He expressed a degree of confidence that there will be efforts for RRC to become an independent organization. He surmised that RRC is in a transitional period, and this may be costing more.

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CO-CHAIR GIESSEL [held SB 217 in committee.]

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There being no further business to come before the committee, Co-Chair Giessel adjourned the Senate Resources Standing Committee meeting at 4:59 p.m.