HOUSE BILL NO. 369

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

Introduced: 2/23/26
Referred: House Special Committee on Energy, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to energy; relating to regulation of residential solar energy generation and portable solar generation devices; relating to generation of electricity from diversified energy resources; relating to a diversified portfolio standard; relating to costs incurred by certain electric utilities for renewable energy and battery energy storage; relating to preapproval for large energy facilities; relating to the renewable energy grant fund; relating to the duties of the Department of Environmental Conservation; relating to the state energy policy; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. (a) It is the intent of the legislature that

(1) the state achieve a 15 percent increase in energy efficiency on a per capita basis between 2026 and 2036;

(2) the state receive 40 percent of its electric generation from diversified energy sources by the end of 2036;

(3) the state work to ensure a reliable in-state gas supply for residents of the state;

(4) the power project fund (AS 42.45.010) serve as the main source of state assistance for energy projects;

(5) the state remain a leader in petroleum and natural gas production and become a global leader in carbon management, critical minerals exploration, detection, and production, and emerging clean energy technologies;

(6) the average cost of electricity in the state decrease to the national average by 2040.

(b) It is the intent of the legislature that implementation of the diversified portfolio standard under AS 42.05.900 not result in undue economic harm to ratepayers or compromise energy reliability.

*** Sec. 2.** AS 42.05 is amended by adding a new section to read:

Sec. 42.05.323. Portable solar generation devices. (a) A portable solar generation device is exempt from utility interconnection and net metering program requirements adopted by the commission if the device

(1) has a maximum power output of not more than 1,200 watts;

(2) includes a feature that prevents the device from energizing the building's electrical system during a power outage;

(3) meets the standards of the most recent version of the National Electrical Code; and

(4) is certified by Underwriters Laboratories or an equivalent nationally recognized testing laboratory.

(b) An electric utility may not require a customer using a portable solar generation device that meets the requirements of (a) of this section to

(1) obtain the electric utility's approval before installing or using the device;

(2) pay a fee or charge related to the device; or

(3) install additional controls or equipment beyond what is integrated

into the device.

(c) An electric utility may require a customer to register a portable solar generation device with the utility through a simple registration process before the customer uses the device.

(d) An electric utility is not liable for any damage or injury caused by a portable solar generation device that meets the requirements in (a) of this section.

(e) This section does not apply to a portable solar generation device used by a customer of an electric utility that sells 5,000,000 kilowatt-hours or less of electricity in a calendar year.

(f) In this section, "portable solar generation device" means a moveable photovoltaic generation device that is designed to be

(1) connected to a building's electrical system through a standard 120-volt alternating current outlet; and

(2) used primarily to offset part of an electric utility customer's electricity consumption.

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

(r) An electric utility may sell at an economic development rate excess electricity that is generated from a renewable energy resource and cannot be stored and used by the utility. The commission shall adopt regulations that establish criteria for determining eligibility and pricing for an economic development rate. An economic development rate must be lower than standard electricity rates and reflect market conditions for surplus electricity generated from renewable energy resources. In this subsection, "renewable energy resource" has the meaning given in AS 42.05.925.

*** Sec. 4.** AS 42.05.431 is amended by adding a new subsection to read:

(i) Costs incurred by an electric cooperative utility organized under AS 10.25 that participates in an electric reliability organization certificated by the commission under AS 42.05.760 must be allowed in the rates charged by the utility if the costs are approved by the utility's board of directors in connection with a new or purchased renewable energy facility or battery energy storage system with a nameplate capacity of less than 15,000 kilowatts or power purchased from a renewable energy facility or

battery energy storage system with a nameplate capacity of less than 15,000 kilowatts. In this subsection, "renewable energy facility" means a facility that generates electricity from geothermal, wind, solar, hydroelectric, hydrokinetic, tidal, or biomass energy or another renewable energy resource.

*** Sec. 5.** AS 42.05.780(a) is amended to read:

(a) An electric reliability organization shall file with the commission in a petition for approval an integrated resource plan for meeting the reliability requirements of all customers within its interconnected electric energy transmission network in a manner that provides the greatest value, consistent with the load-serving entities' obligations. An integrated resource plan must contain an evaluation of the full range of cost-effective means for load-serving entities to meet the service requirements of all customers, including additional generation, transmission, battery storage, and conservation or similar improvements in efficiency. An integrated resource plan must include options to meet customers' collective needs in a manner that provides the greatest value, consistent with the public interest, regardless of the location or ownership of new facilities or conservation activities. **An integrated resource plan must include options for satisfying the diversified portfolio standard under AS 42.05.900.**

*** Sec. 6.** AS 42.05.785(a) is amended to read:

(a) A public utility, including a public utility that is exempt from other regulation under AS 42.05.711 or another provision of this chapter, that is interconnected with an interconnected electric energy transmission network served by an electric reliability organization certificated by the commission may not construct a large energy facility unless the commission determines that the facility

(1) is necessary to the interconnected electric energy transmission network with which it would be interconnected;

(2) complies with reliability standards; [AND]

(3) would, in a cost-effective manner, meet the needs of a load-serving entity that is substantially served by the facility**; and**

(4) is not detrimental to a load-serving entity's ability to meet the diversified portfolio standard under AS 42.05.900.

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

(c) The commission may not require preapproval for a

(1) project for refurbishment or capitalized maintenance;

(2) hydropower project**;**

(3) project that generates electricity from a diversified energy resource and helps a load-serving entity meet the diversified portfolio standard under AS 42.05.900 [LICENSED BY THE FEDERAL ENERGY REGULATORY COMMISSION BEFORE SEPTEMBER 30, 2016].

*** Sec. 8.** AS 42.05.785(e) is amended to read:

(e) In this section,

(1) "diversified energy resource" has the meaning given in AS 42.05.925;

(2) "large energy facility" means

(A) [(1)] an electric power generating plant or combination of plants at a single site with a combined capacity of 15,000 kilowatts or more with transmission lines that directly interconnect the plant with the transmission system;

(B) [(2)] a high-voltage, above-ground transmission line that

(i) [(A)] has a capacity of 69 kilovolts or more; and

(ii) [(B)] is longer than 10 miles;

(C) [(3)] a high-voltage submarine or underground cable that

(i) [(A)] has a capacity of 69 kilovolts or more; and

(ii) [(B)] is longer than three miles;

(D) [(4)] an energy storage device or combination of devices at a single site with a combined capacity of 15,000 kilowatts and one hour or more of energy storage that directly connects with the interconnected bulk-electric system; and

(E) [(5)] a reactive compensation device or combination of devices at a single site with a combined reactive capability of 15,000 kilovars or more with a step-up device to regulate interconnected bulk-electric system voltage.

*** Sec. 9.** AS 42.05 is amended by adding new sections to read:

Article 11A. Diversified Portfolio Standard.

Sec. 42.05.900. Diversified portfolio standard. (a) The portfolio of a load-serving entity that is subject to the standards of an electric reliability organization under AS 42.05.760 must include 40 percent of megawatt hours of electricity generated from diversified energy resources by December 31, 2036, adjusted according to AS 42.05.905.

(b) When a fossil fuel and renewable energy resource are co-fired in the same generating unit, the unit is considered to generate diversified electricity in direct proportion to the percentage of the total heat input value represented by the heat input value of the renewable energy resource.

(c) If electricity transmission constraints prevent delivery of diversified electricity that a load-serving entity is obligated to purchase from a third party, the megawatt hours of undelivered diversified electricity, adjusted according to AS 42.05.905, count toward the load-serving entity's compliance with the diversified portfolio standard.

(d) Electricity generated from diversified energy resources count toward a load-serving entity's compliance with the diversified portfolio standard even if rights to the environmental, social, or other nonpower attributes of the electricity generation have been legally transferred to another person.

(e) A load-serving entity may not construct an electricity generation facility that facilitates the load-serving entity's compliance with the diversified portfolio standard unless the commission determines the facility is the most advantageous and best value to the state, taking into account

(1) resources or facilities that support or improve reliability;

(2) resources that encourage price stability;

(3) resources that reduce externalized effects to individuals in the state; and

(4) any other factors established by regulations adopted by the commission.

Sec. 42.05.905. Compliance incentives and alternatives. (a) To calculate a

load-serving entity's compliance with the diversified portfolio standard, the megawatt hours of electricity from a project that generates electricity from wind energy are multiplied by a factor of 1.5 if

(1) the project is operational before January 1, 2033;

(2) the project has a nameplate generation capacity of at least 100 megawatts; and

(3) more than one load-serving entity acquires electricity production from the project and each entity acquires at least the entity's load ratio share or 20 percent of the project's energy output, whichever is less; in this paragraph, "load ratio share" means a percentage calculated by dividing a load-serving entity's total retail electricity sales by the sum of retail electricity sales from all load-serving entities that acquire electricity from the project.

(b) A load-serving entity may satisfy the diversified portfolio standard through megawatt hours of electricity generated by distributed energy systems, multiplied by a factor of 2.0, regardless of whether the electricity is acquired by the load-serving entity or used by the customer. Each load-serving entity shall file a tariff with the commission that establishes and justifies the average capacity factor for each distributed energy system technology connected to the interconnected electric energy transmission network within the entity's service area.

(c) In addition to generating megawatt hours of electricity from diversified energy resources, a load-serving entity may satisfy the diversified portfolio standard by using diversified portfolio credits from generation connected to the same interconnected electric energy transmission network that serves the load-serving entity's customers.

(d) In addition to generating megawatts hours of electricity from diversified energy resources, a load-serving entity may satisfy the diversified portfolio standard with megawatts of electricity supplied by energy storage systems within the load-serving entity's service area, multiplied by a factor of 0.8.

Sec. 42.05.910. Diversified portfolio credits. (a) A load-serving entity subject to the standards of an electric reliability organization under AS 42.05.760 acquires one diversified portfolio credit for each megawatt hour of electricity generated from

diversified energy resources, adjusted according to AS 42.05.905.

(b) A diversified portfolio credit may be traded, sold, or otherwise transferred for value. A load-serving entity that transfers a diversified portfolio credit may not use the diversified electricity associated with the transferred credit to comply with the diversified portfolio standard.

(c) A diversified portfolio credit may be used only once. A diversified portfolio credit expires one year after the credit was created.

(d) A load-serving entity shall track the life cycle of a diversified portfolio credit created, transferred, or used by the load-serving entity. Each load-serving entity is responsible for demonstrating that a diversified portfolio credit used to comply with the diversified portfolio standard is derived from a diversified energy resource and that the diversified portfolio credit has not been previously used or transferred.

Sec. 42.05.915. Other diversified energy resources. (a) A load-serving entity subject to the standards of an electric reliability organization under AS 42.05.760 that uses or plans to use a resource to generate electrical energy at a generation facility may apply to the department to designate the resource at the generation facility as a diversified energy resource. The department shall evaluate the lifecycle greenhouse gas emissions of the resource at the generation facility when the load-serving entity submits an application with sufficient information for the department to evaluate the application. The department shall designate the resource as a diversified energy resource for the generation facility if

(1) the department determines that scope 1, 2, and 3 greenhouse gas emissions occurring from the use of the resource to generate electrical energy at the facility are less than 100 kilograms carbon dioxide equivalent per megawatt hour of electrical energy generated across the entire lifetime of the generation facility;

(2) the load-serving entity submits a credible plan for maintaining scope 1, 2, and 3 greenhouse gas emissions below 100 kilograms carbon dioxide equivalent per megawatt hour of electrical energy generated across the entire lifetime of the generation facility; and

(3) the department determines that the generation facility is cost competitive.

(b) To maintain the designation of a resource as a diversified energy resource under (a) of this section, a load-serving entity shall annually report to the department the amount of scope 1, 2, and 3 greenhouse gas emissions occurring from the generation facility using the diversified energy resource. The department shall verify the greenhouse gas emissions reported by the load-serving entity.

(c) The department may adopt regulations to implement this section.

(d) In this section, "department" means the Department of Environmental Conservation.

Sec. 42.05.920. Exemptions. A load-serving entity is exempt from compliance with the diversified portfolio standard if the aggregate percentage of electricity generated from diversified energy resources by all load-serving entities on the interconnected electric energy transmission network, adjusted according to AS 42.05.905, meets or exceeds the aggregate diversified portfolio standard for those entities.

Sec. 42.05.925. Definitions. In AS 42.05.900 - 42.05.925,

(1) "distributed energy system" means a community energy facility as that term is defined in AS 42.05.735 or a diversified energy resource that is located on any property owned or leased by a customer within the service territory of the load-serving entity that is interconnected on the customer's side of the utility meter;

(2) "diversified electricity" means electrical energy generated from diversified energy resources;

(3) "diversified energy resource" means

(A) a renewable energy resource;

(B) nuclear energy;

(C) natural gas that

(i) is received through a gas pipeline that originates from the area of the state lying north of 68 degrees North latitude;

(ii) is acquired by a load-serving entity at a stable price; and

(iii) generates electrical energy at a cost lower than the cost of generating electrical energy from renewable energy resources;

or

(D) a resource designated as a diversified energy resource by the Department of Environmental Conservation under AS 42.05.915;

(4) "diversified portfolio credit" means a credit described in AS 42.05.910;

(5) "diversified portfolio standard" means the percentage of a load-serving entity's net electrical energy sales to customers in the entity's service area that is represented by diversified energy resources as required under AS 42.05.900;

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

(7) "load-serving entity" has the meaning given in AS 42.05.790;

(8) "megawatt hour" means 1,000,000 watts of electricity being used in one hour and includes the steam equivalent of a megawatt hour;

(9) "renewable energy resource" means a resource, other than a fossil fuel, that is ultimately derived from solar power, water power, or wind power, comes from the sun or from thermal inertia of the earth, and minimizes the output of toxic material in the conversion of the energy; in this paragraph, "resource" includes

(A) solar and solar thermal energy, wind energy, and kinetic energy of moving water, including

(i) waves, tides, or currents;

(ii) run-of-river hydropower, in-river hydrokinetic;

(iii) conventional hydropower, lake tap hydropower;

(iv) water released through a dam; and

(v) geothermal energy;

(B) waste to energy systems, including

(i) wood;

(ii) landfill gas that has been manufactured in whole or significant part from waste;

(iii) biofuels produced in the state; and

(iv) thermal energy produced from a geothermal heat pump using municipal solid waste, including biogenic and

anthropogenic factions.

*** Sec. 10.** AS 42.45.045(d) is amended to read:

(d) The authority shall, in consultation with the advisory committee established under (i) of this section and the Department of Natural Resources,

(1) develop a methodology for determining the order of projects that may receive assistance, including separate requirements for grant eligibility, and adopt regulations identifying criteria to evaluate the benefit and feasibility of projects for which an applicant applies for support from the legislature, with the most weight being given to projects that serve any area in which the average cost of energy to each resident of the area exceeds the average cost to each resident of other areas of the state, and significant weight being given to a statewide balance of grant funds and to the amount of matching funds an applicant is able to make available;

(2) make recommendations to the legislature for renewable power production reimbursement grants; and

(3) not later than **November 15 of each year** [10 DAYS AFTER THE FIRST DAY OF EACH REGULAR LEGISLATIVE SESSION], submit to the legislature a report summarizing and reviewing each grant application submitted under this section and a recommended priority for awarding grants.

*** Sec. 11.** AS 42.45.045 is amended by adding a new subsection to read:

(m) The advisory committee appointed under (i) of this section shall elect a chair from among its members. The chair serves for a term of two years. The chair may not serve for consecutive terms. After a year of not serving as chair, the member is eligible for election as chair again. The advisory committee shall meet at the call of the chair.

*** Sec. 12.** AS 44.46.020(a) is amended to read:

(a) The Department of Environmental Conservation shall

(1) have primary responsibility for coordination and development of policies, programs, and planning related to the environment of the state and of the various regions of the state;

(2) have primary responsibility for the adoption and enforcement of regulations setting standards for the prevention and abatement of all water, land,

subsurface land, and air pollution, and other sources or potential sources of pollution of the environment, including by way of example only, petroleum and natural gas pipelines;

(3) promote and develop programs for the protection and control of the environment of the state;

(4) take actions that are necessary and proper to further the policy declared in AS 46.03.010;

(5) adopt regulations for

(A) the prevention and control of public health nuisances;

(B) the regulation of sanitation and sanitary practices in the interest of public health;

(C) standards of cleanliness and sanitation in connection with the construction, operation, and maintenance of a camp, cannery, food handling establishment, food manufacturing plant, mattress manufacturing establishment, industrial plant, school, barbershop, hairdressing, hair braiding, manicuring, esthetics, tattooing, permanent cosmetic coloring, body piercing, or ear piercing establishment, soft drink establishment, beer and wine dispensaries, and for other similar establishments in which lack of sanitation may create a condition that causes disease;

(D) the regulation of quality and purity of commercially compressed air sold for human respiration**;**

(6) designate diversified energy resources under AS 42.05.915.

*** Sec. 13.** AS 44.46.025(a) is amended to read:

(a) Except as otherwise provided in AS 37.10.050 - 37.10.056, the Department of Environmental Conservation may adopt regulations that prescribe reasonable fees, and establish procedures for the collection of those fees, to cover the applicable direct costs, not including travel except in the case of a designated regulatory service, as that term is defined in AS 37.10.058, of inspections, permit preparation and administration, plan review and approval, and other services provided by the department relating to

(1) animals and animal products under AS 03.05; food, drugs, and cosmetics under AS 17.20; and public accommodations and facilities under AS 18.35;

(2) certificates of inspection for motor vehicles under AS 46.14.400 or 46.14.510;

(3) drinking water systems under AS 46.03.720;

(4) water and wastewater operator training under AS 46.30;

(5) waste management and disposal authorizations under AS 46.03.100;

(6) certification of laboratories conducting environmental analyses of public drinking water systems or of oil or hazardous substances, or conducting other analyses required by the department;

(7) certification of federal permits or authorizations under 33 U.S.C. 1341 (sec. 401, Clean Water Act);

(8) regulation of point source discharges of pollutants under the program authorized by AS 46.03.020(12);

(9) regulation of pesticides and broadcast chemicals registered under AS 46.03.320(a)(4), with a reasonable fee not to exceed $120;

(10) licensing of pesticide applicators under AS 46.03.320(b), with a reasonable fee not to exceed $25**;**

(11) designating diversified energy resources under AS 42.05.915.

*** Sec. 14.** AS 44.99.115 is amended to read:

Sec. 44.99.115. Declaration of state energy policy. The State of Alaska recognizes that the state's economic prosperity is dependent on available, reliable, and affordable residential, commercial, and industrial energy to supply the state's electric, heating, and transportation needs. The state also recognizes that worldwide supply and demand for fossil fuels and concerns about global climate change will affect the price **and volatility** of fossil fuels consumed by Alaskans and exported from the state to other markets. In establishing a state energy policy, the state further recognizes the immense diversity of the state's geography, cultures, and resource availability**, as well as the universal imperative of affordable and stable energy prices**. Therefore, it is the policy of the state to

(1) institute a comprehensive and coordinated approach to supporting energy efficiency and conservation by

(A) **increasing energy efficiency and conservation of natural gas and other heating fuels through**

(i) investments focused on home energy efficiency and beneficial electrification;

(ii) support for energy audit programs; and

(iii) state assistance in the development of local and statewide residential and commercial energy efficiency standards [ENCOURAGING STATEWIDE ENERGY EFFICIENCY CODES FOR NEW AND RENOVATED RESIDENTIAL, COMMERCIAL, AND PUBLIC BUILDINGS];

(B) decreasing public building energy consumption through conservation measures and energy-efficient technologies; and

(C) initiating and supporting a program to educate state residents on the benefits of energy efficiency and conservation, including dissemination of information on state and federal programs that reward energy efficiency;

(2) encourage economic development by

(A) promoting the development of renewable and alternative energy resources, including geothermal, wind, solar, hydroelectric, hydrokinetic, tidal, [AND] biomass energy, **and geologic hydrogen** for use by Alaskans;

(B) using renewable energy and geologic hydrogen resources to produce energy products such as methanol, ammonia, and sustainable aviation fuel for use by Alaskans and for export;

(C) [(B)] promoting the development, transport, and efficient use of nonrenewable and alternative energy resources, including natural gas, coal, oil, gas hydrates, heavy oil, and nuclear energy, for use by Alaskans and for export;

(D) [(C)] working to identify and assist with development of the most cost-effective, long-term sources of energy for each community statewide;

(E) [(D)] creating and maintaining a state fiscal regime and permitting and regulatory processes that encourage private sector development of the state's energy resources; and

(F) [(E)] promoting the efficiency of energy used for transportation;

(3) support energy research, education, and workforce development by investing in

(A) training and education programs that will help create jobs for Alaskans and that address energy conservation, efficiency, and availability, including programs that address workforce development and workforce transition; [AND]

(B) applied energy research and development of alternative and emerging technologies, including university programs, to achieve reductions in state energy costs and stimulate industry investment in the state; **and**

(C) the state's innovation ecosystem, including start-up incubators, accelerators, venture studios, tech transfer programs, research faculty innovation fellowships, and commercialization support initiatives;

(4) coordinate governmental functions

(A) by reviewing and streamlining regulatory processes and balancing the economic costs of review with the level of regulation necessary to protect the public interest;

(B) by using one office or agency, as may be specified by law, to serve as a clearinghouse in managing the state's energy-related functions to avoid fragmentation and duplication and to increase effectiveness; and

(C) by actively collaborating with federal agencies to achieve the state's energy goals and to meet emissions, **diversified** [RENEWABLE AND ALTERNATIVE] energy, and energy production targets.

*** Sec. 15.** This Act takes effect July 1, 2026.