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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: Stephen McAlpine, Chairman
Robert M. Pickett
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

In the Matter of the Evaluation of the Operation and Regulation of the Alaska Railbelt Electric Transmission System) I-15-001
ORDER NO. 13

In the Matter of the Evaluation of the Reliability and Security Standards and Practices of Alaska Electric Utilities) I-16-002
ORDER NO. 13

ORDER INVITING COMMENT ON PROPOSED LEGISLATIVE LANGUAGE

BY THE COMMISSION:

Summary

We invite comment on legislative language that would provide express statutory authority for this agency to certificate and regulate an electric reliability organization, and to oversee integrated resource planning and project pre-approval of large electric generation and transmission facilities.

Procedural Background

In 2014, the Alaska Legislature required that we determine “whether creating an independent system operator or similar structure for electric utilities in the Railbelt area is the best option for effective and efficient electrical transmission”¹ We opened Docket I-15-001 to evaluate the operation and regulation of the Alaska

¹Ch. 18, Sec. 31(b) SLA 2014.

Regulatory Commission of Alaska
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Anchorage, Alaska 99501
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1 Railbelt electric transmission system,² requesting and receiving numerous filings and
2 presentations to assist us in determining the best option for effective and efficient
3 electrical transmission. We responded to the legislature on June 30, 2015, with
4 recommendations that included (1) promoting enforceable and consistent Railbelt
5 operating and reliability standards, and (2) receiving an express legislative grant authority
6 over electric facility siting and integrated resource planning in the Railbelt.³ We opened
7 Docket I-16-002 to gather information about the reliability and security standards and
8 practices of Alaska electric utilities.⁴

9 Acting on behalf of several Railbelt electric utilities, ARCTEC⁵ hired a
10 consultant to provide recommendations on establishing an organization that would act as
11 the entity responsible for establishing and enforcing Railbelt reliability standards and
12 (among other things) performing regional integrated resource planning for the Railbelt.⁶
13 ARCTEC selected GDS Associates, Inc. (GDS) to facilitate the development of the

14 ²Order I-15-001(1), *Order Opening Docket and Requesting Responses*, dated
15 February 27, 2015.

16 ³See Letter from R. Pickett (Regulatory Commission of Alaska Chairman) to K.
17 Meyer (Alaska Senate President) and M. Chenault (Alaska House Speaker), dated
18 June 30, 2015 (RCA Legislative Letter). “Siting authority” is a term of art that includes a
19 requirement for project pre-approval.

20 ⁴Order I-16-002(1), *Order Opening Docket and Requesting Responses*, dated
21 June 8, 2016.

22 ⁵Alaska Railbelt Cooperative Transmission and Electric Company (ARCTEC). At
23 the time the Request for Proposal was issued, ARCTEC was comprised of Chugach
24 Electric Association, Inc. (Chugach); Matanuska Association, Inc. (MEA); City of Seward
25 d/b/a Seward Electrical System (Seward); and Golden Valley Electric Association, Inc.
26 (GVEA). See Order I-16-002(3), *Order Providing Additional Guidance and Requiring
Filings*, dated February 16, 2018, at n. 1.

⁶The Request for Proposals indicated that the entity would also assume
responsibility for ensuring nondiscriminatory open-access to the regional grid through
regional grid interconnection protocols and eventually fulfill the role of an Independent
(Unified) System Operator for the Railbelt. See ARCTEC Request for Proposal,
*Facilitation of the Railbelt Reliability Council Development: Governance Structure,
Functions, and Scope of Authority*, dated September 26, 2017.

1 reliability organization, with GDS ultimately recommending a Railbelt Reliability Council
 2 (RRC) be created to perform functions that include (1) adopting and enforcing standards
 3 regarding system reliability, cybersecurity, and physical security; and (2) conducting
 4 integrated resource planning for the Railbelt.⁷ GDS recommended that the RRC be
 5 certificated and regulated by this agency.

6 GDS' recommendations became the basis for a Memorandum of
 7 Understanding (MOU), negotiated between the six interconnected Railbelt electric
 8 utilities,⁸ for the formation of an RRC. Although some of the details of the RRC
 9 contemplated in the MOU differ somewhat from the GDS recommendations, the primary
 10 recommendations enumerated above remain. Four of the six Railbelt electric utilities'
 11 have signed the MOU,⁹ with the boards of two others having approved signing on
 12 condition that an acceptable Transco be formed.¹⁰

13 Discussion

14 One question raised at the Commission level is whether this agency has the
 15 requisite statutory authority over an electric reliability organization (ERO) such as the

17
 18 ⁷See October 24, 2018, Public Meeting T. at 26. The RRC would also (1) adopt
 19 and enforce system-wide interconnection protocols and (2) evaluate security-constrained
 20 economic dispatch. GDS recommended that the question of whether the RRC or any
 organization should perform system-wide security constrained economic dispatch should
 be tolled pending further study.

21 ⁸Chugach;GVEA;Homer Electric Association, Inc. (HEA); MEA; Municipality of
 Anchorage d/b/a Municipal Light & Power Department; and Seward.

22 ⁹Chugach, MEA, GVEA, and Seward.

23 ¹⁰ In Docket I-15-001, (GVEA) *Resolution No. 110-18, Approving the Execution of*
 24 *a Memorandum of Understanding to Create a Railbelt Reliability Council and the Filing of*
 25 *a Transco Certificate of Public Convenience and Necessity*, filed October 26, 2018; In
 26 Docket I-16-002, (Homer Electric Association, Inc.) *Resolution 45.2018.24, Resolution*
Approving the Execution of a Memorandum of Understanding to Create a Railbelt
Reliability Council, filed August 20, 2018.

1 RRC.¹¹ Enabling statutes addressing RCA jurisdiction over electric utilities focus on the
2 provision of service to the public, whether directly or through a resale arrangement.¹² An
3 ERO would adopt and enforce system reliability standards - the core function of the RRC,
4 which would also establish interconnection protocols, conduct regional integrated
5 resource planning, and evaluate security-constrained economic dispatch. None of these
6 activities have the direct nexus of electric service to the public and thus create a certain
7 level of doubt regarding the RCA's regulatory authority over the RRC or any other ERO.

8 While some Railbelt electric utility representatives believe the RCA
9 possesses statutory authority to certificate and regulate a reliability organization,¹³ we
10 believe that legislative clarification may be appropriate given the lack of explicit statutory
11 language authorizing us to regulate an ERO. Attached as an appendix to this order is
12 draft legislative language that provides us with express authority to certificate and
13 regulate an ERO and would ensure enabling the proposed RRC construct to provide a
14 party's right to appeal RRC decisions to the RCA.¹⁴

15 The attached draft legislative language also addresses two additional points
16 raised in the RCA Legislative Letter recommendations - a legislative grant of siting
17 authority for new generation and transmission in the Railbelt, and explicit authority to
18 regulate integrated resource planning for the Railbelt electric system. We believe this

19 _____
20 ¹¹See June 27, 2018 Public Meeting Tr. 30-31 (Commissioner Scott questioning
21 how the RRC would be regulated by the RCA as it does not provide service to the public
22 for compensation).

22 ¹²Enabling statutes define a "public utility" to include an entity that "furnishes, by
23 generation, transmission, or distribution, electrical service to the public for compensation",
24 with the term "public" defined as "a group of ten or more customers that purchase the
25 service or commodity furnished by a public utility." AS 42.05.990(5), (6).

24 ¹³ARCTEC's attorney presented arguments in favor of this position at the RCA's
25 Public Meeting held October 24, 2018.

26 ¹⁴See RRC Memorandum of Understanding Section 4.C (stating the RRC would
be subject to the jurisdiction of the RCA and the articles and bylaws would provide for
appeal of RRC decisions to the RCA).

1 legislative clarification is necessary given that the RRC proposal includes an integrated
2 resource planning as a core function for the RRC; it would also be helpful to clarify that
3 the RCA has authority to require the integration of integrated resource plans *among* the
4 separate utilities. An express grant of siting authority would help ensure that the
5 integrated resource planning function had teeth, so that large capital additions to the
6 Railbelt's infrastructure could be coordinated to provide reliable electricity service at lower
7 overall system cost.

8 We issue the attached draft legislative language for comment.¹⁵ Comments
9 on the draft legislative language must be filed by April 4, 2019. Comments should
10 reference Dockets I-15-001 and I-16-002. Persons submitting comments do not need to
11 serve their comments on the other entities or persons set out on the service list of this
12 order, and instead may submit comments through our website instead of submitting
13 hardcopies with us. To file using our website, and to view other filed comments, please
14 go to:

15 <https://rca.alaska.gov/RCAWeb/WhatsNew/PublicNoticesComments.aspx>

16 We will post a copy of comments on our website at <http://rca.alaska.gov/>.
17 Those seeking to obtain materials in this docket at our website must select *All Opened*
18 *Rulemaking Dockets* under *Top Searches* and choose Matter Number I-15-001 or
19 I-16-002.

20 **ORDER**

21 THE COMMISSION FURTHER ORDERS:

22 1. The proposed legislative language set out in the appendix to this order
23 is issued for public comment.

24
25
26 ¹⁵ Public Meeting held March 13, 2019, Tr. 45-46.

APPENDIXSection 1:

** AS 42.05.990 is amended by adding the following subsections:

(9) ‘bulk-power system’ means—

- (A) facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof);
- (B) electric energy from generation facilities needed to maintain transmission system reliability; and
- (C) which are owned by more than one electric utility.

The term does not include facilities used in the local distribution of electric energy.

(10) ‘Electric Reliability Organization’ and ‘ERO’ mean the organization certified by the Commission under AS 42.05.292

(11) ‘Reliability standard’ means a requirement, approved by the Commission under this section, to provide

for reliable operation of the bulk-power system. The term includes requirements for the operation of existing bulk-power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary to provide for reliable operation of the bulk-power system, but the term does not include a requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

(12) ‘Reliable operation’ means operating the elements of the bulk-power system within equipment and electric

system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of such system will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

(13) ‘Interconnected electric energy transmission network’ means a geographic area in which the operation of bulk-power system components is synchronized such that the failure of one or more of such components may adversely affect the ability of the operators of other components within the system to maintain reliable operation of the facilities within their control.

(14) ‘Cybersecurity incident’ means a malicious act or suspicious event that disrupts, or was an attempt to

disrupt, the operation of those programmable electronic devices and communication networks including hardware, software and data that are essential to the reliable operation of the bulk power system.

(15) ‘Load serving entity’ means an electric utility that has a service obligation to distribute power to end users.

Section 2:

** A new section of AS 42.05 is added as follows:

AS 42.05.292. Electric Reliability Organizations.

(a) The commission shall adopt regulations to require all electric utilities within an interconnected electric energy transmission network for which an electric reliability organization has been established to participate in that electric reliability organization. The regulations may provide for the issuance of a certificate of public convenience and necessity to electric reliability organizations, and must provide for cost recovery through surcharges added to the rate for each participating electric utility's service. The commission shall hold hearings to determine the most cost-effective method of operating electric reliability organizations. All users, owners and operators of a bulk-power system shall comply with reliability standards contained in the tariff of an electric reliability organization.

(b) The Commission shall issue a final rule to implement the requirements of this section not later than 270 days after the effective date of this section.

(c) Following the issuance of a Commission rule under subsection AS 42.05.292(b), any person may submit an application to the Commission for certification as the Electric Reliability Organization for an interconnected bulk power system. The Commission may certify one ERO for an interconnected electric energy transmission network if the Commission determines that the ERO—

(1) has the ability to develop and enforce, subject to subsection AS 42.05.292(f), reliability standards that provide for an adequate level of reliability of a given bulk-power system; and

(2) has the ability to develop plans that meet the requirements of AS 42.05.293; and

(3) has established rules that—

(A) assure its independence from the users and owners and operators of the bulk-power system, while assuring fair stakeholder representation in the selection of its directors and balanced decision making in any ERO committee or subordinate organizational structure;

(B) allocate equitably reasonable dues, fees, and other charges among all load serving entities connected to the bulk power section for all activities under this section;

(C) provide fair and impartial procedures for enforcement of reliability standards through the imposition of penalties in accordance with subsection AS 42.05.292(f) (including limitations on activities, functions, or operations, or other appropriate sanctions);

(D) provide for reasonable notice and opportunity for public comment, due process, openness, and balance of interests in developing reliability standards and otherwise exercising its duties; and

(4) is governed by—

- (A) an independent board;
- (B) a balanced stakeholder board; or
- (C) a combination independent and balanced stakeholder board,

Notwithstanding any other provision of law, the Commission and the Regulatory Affairs and Public Advocacy section of the Department of Law shall be ex officio members of the ERO board.

In the event that no person has applied to the Commission to be an ERO within 6 months of the promulgation of regulations under AS 42.05.292(b), the Commission shall produce articles of incorporation and bylaws for an entity that satisfies the criteria of AS 42.05.292(c). The Commission may, after notice and an opportunity for interested parties to be heard, designate as the ERO the entity that its foundational documents and suitably qualified willing participants provide for.

(d) An Electric Reliability Organization shall file each reliability standard or modification to a reliability standard as a new or revised tariff provision.

(e) The Commission may approve as part of the tariff of a certificated electric reliability organization a proposed reliability standard or modification to a reliability standard that applies to the parties in an interconnected electric energy transmission network if it determines that the standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest. The Commission shall give due weight to the technical expertise of the Electric Reliability Organization with respect to the content of a proposed standard or modification to a reliability standard but shall not defer to that standard. A proposed standard or modification shall take effect upon approval by the Commission. A standard approved pursuant to this subsection satisfies the requirements of AS 42.05.291(c).

(f) The Commission shall remand to an Electric Reliability Organization for further consideration a proposed reliability standard or a modification to a reliability standard that the Commission disapproves in whole or in part.

(g) The Commission, upon its own motion or upon complaint, may order an Electric Reliability Organization to submit to the Commission a proposed reliability standard or a modification to a reliability standard that addresses a specific matter if the Commission considers such a new or modified reliability standard appropriate to carry out this section.

(h) The final rule adopted under subsection AS 42.05.292(b) shall include fair processes for the identification and timely resolution of any conflict between a reliability standard and any function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission applicable to a public utility. Such public utility shall continue to comply with such function, rule, order, tariff, rate schedule or agreement accepted, approved, or ordered by the Commission until—

- (1) the Commission finds a conflict exists between a reliability standard and any such provision;
- (2) the Commission orders a change to such provision pursuant to AS 42.05.431; and
- (3) the ordered change becomes effective under this part.

If the Commission determines that a reliability standard needs to be changed as a result of such a conflict, it shall order an ERO to develop and file with the Commission a modified reliability standard under paragraph AS 42.05.292(g) or AS 42.05.292(h) of this section.

(i) Regarding standards approved by the Commission under subsection AS 42.05.292(e):

(1) The ERO may impose, subject to paragraph (2), a penalty on a user or owner or operator of an interconnected bulk power system for a violation of a reliability standard approved by the Commission under AS 42.05.292(e) if the ERO, after notice and an opportunity for a hearing—

- (A) finds that the user or owner or operator has violated a reliability standard approved by the Commission under subsection AS 42.05.292(e); and
- (B) files notice and the record of the proceeding with the Commission.

(2) A penalty imposed under paragraph (1) may take effect not earlier than the 31st day after the ERO files with the Commission notice of the penalty and the record of proceedings. Such penalty shall be subject to review by the Commission, on its own motion or upon application by the user, owner or operator that is the subject of the penalty filed within 30 days after the date such notice is filed with the Commission. Application to the Commission for review, or the initiation of review by the Commission on its own motion, shall not operate as a stay of such penalty unless the Commission otherwise orders upon its own motion or upon application by the user, owner or operator that is the subject of such penalty. In any proceeding to review a penalty imposed under paragraph (1), the Commission, after notice and opportunity for hearing (which hearing may consist solely of the record before the ERO and opportunity for the presentation of supporting reasons to affirm, modify, or set aside the penalty), shall by order affirm, set aside, reinstate, or modify the penalty, and, if appropriate, remand to the ERO for further proceedings. The Commission shall implement expedited procedures for such hearings.

(3) On its own motion or upon complaint, the Commission may order compliance with a reliability standard and may impose a penalty against a user or owner or operator of the bulk-power system if the Commission finds, after notice and opportunity for a hearing, that the user or owner or operator of the bulk-power system has engaged or is about to engage in any acts or practices that constitute or will constitute a violation of a reliability standard.

(4) The Commission may take such action as is necessary or appropriate against the ERO to ensure compliance with a reliability standard or any Commission order affecting the ERO.

(5) Notwithstanding any limitations under this chapter on penalties, a penalty imposed under this section shall bear a reasonable relation to the seriousness of the violation and shall take into consideration the efforts of such user, owner, or operator to remedy the violation in a timely manner.

(j) The Electric Reliability Organization shall file with the Commission for approval any proposed rule or proposed rule change, accompanied by an explanation of its basis and purpose. The Commission, upon its own motion or complaint, may propose a change to the rules of the ERO. A proposed rule or proposed rule change shall take effect upon a finding by the Commission, after notice and opportunity for comment, that the change is just, reasonable, not unduly discriminatory or preferential, is in the public interest, and satisfies the requirements of subsection AS 42.05.292(e).

(k) The Commission may direct the ERO to conduct assessments of the reliability and adequacy of the bulk-power system.

(l) An Electric Reliability Organization certified by the Regulatory Commission of Alaska under AS 42.05.292(c) is not a department, agency, or instrumentality of the State.

Section 3

** A new section of AS 42.05 is adding as follows:

AS 42.05.293 – Integrated Least-Cost Planning

- (a) The commission shall adopt rules requiring an ERO to prepare and file a plan for meeting the reliability requirements of customers within its interconnected bulk power system in the most cost-effective manner, consistent with the load serving entities' obligations to serve. The rules shall prescribe the content and the time for filing a plan, and may identify the criteria to be used in determining cost-effectiveness.
- (b) A plan must contain an evaluation of the full range of cost-effective means for load serving entities to meet the service requirements of their customers, including additional generation, transmission, and conservation or similar improvements in the efficiency by which services are used. A plan must include and identify options that could meet customers' collective needs at least cost, regardless of the location or ownership of new facilities contemplated.
- (c) The commission shall approve, reject, or modify the ERO's plan, consistent with the public interest. The commission may not take action on a plan without first conducting a hearing and providing an opportunity for interested parties to be heard.
- (d) The commission may include in a public utility's rates:
 - (1) the cost of resources acquired in accordance with a plan;
 - (2) the cost-effective expenditures for improving the efficiency with which the public utility provides and its customers use utility services; and

I-15-001(13)/I-16-002(13)

APPENDIX

Page 5 of 6

(3) a utility's costs of complying with the planning requirements of this part, including planning costs and portfolio development costs.

(e) As used in this part, the following definitions apply:

(1) "Plan" means an integrated least-cost resource plan submitted by an ERO in accordance with this part and the rules adopted under this part.

(2) "Planning costs" means the costs of evaluating the future demand for services and of evaluating alternative methods of satisfying future demand.

(3) "Portfolio development costs" means the costs of preparing a resource in a portfolio for prompt and timely acquisition of the resource.

Section 4

** A new section of AS 42.05 is adding as follows:

- a) No large energy facility shall be constructed by a public utility without advanced Commission determination that the facility is needed within the bulk power system to which it would be interconnected.
- b) Any new large energy facility that was included in the most recent integrated resources plan that has been approved by the Commission under AS 42.05.293(c) shall enjoy a presumption of necessity. Such presumption may be overcome through clear and convincing evidence.
- c) The Commission may refuse to approve construction of a large energy facility if it determines that it fails to comply with reliability standards or that a load-bearing entity that is substantially served by the project might otherwise meet its needs more cost effectively.
- d) For purposes of this section, "Large energy facility" means:
 - (1) any electric power generating plant or combination of plants at a single site with a combined capacity of 15,000 kilowatts or more and transmission lines directly associated with the plant that are necessary to interconnect the plant to the transmission system;
 - (2) any high-voltage transmission line with a capacity of 69 kilovolts or more and greater than 5 miles in length.

**RECEIVED**

By the Regulatory Commission of Alaska on Mar 29, 2019

March 29, 2019

Stephen McAlpine, Chair
Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501-3496

RE: DOCKET NO. I-15-001(13)/I-16-002(13)

The Alaska Public Interest Research Group (AkPIRG) is writing to express its support for the RCA's proposed legislative language in the matter of the operation and regulation of the Alaska Railbelt Electric Transmission System, as well as the proposed regulation of reliability and security standards and practices of Alaska electric utilities.

AkPIRG, established in 1974, advocates on behalf of public and consumer interests. To our knowledge, we are the only non-governmental organization focused on addressing Alaska-specific consumer interest issues.

Our organization is concerned that Railbelt ratepayers have not had a meaningful voice in the electric rate increases of the past decade. These increases are mostly due to new electric generation based entirely on local, not regional, needs. Roughly \$1.5 billion has recently been spent on generation that co-operative owners must now pay for, significantly raising electric rates.

In addition to AkPIRG's concern over recent rate increases, the organization is also concerned that the Railbelt's electric portfolio is dangerously undiversified. About 85% of the region's electricity is generated by burning natural gas from Cook Inlet, most of which is controlled by just one producer. Railbelt utilities also pay far more for natural gas than utilities in the Lower 48.

The RCA's proposal to implement region-wide planning is necessary, and the correct response to the 2014 mandate by the Alaska Legislature to determine the best path forward for an Independent System Operator-type entity. The inclusion of other stakeholders besides the utilities co-ops themselves--notably, consumer and renewable energy advocates, member-owner representatives, and independent power producers--will make the Railbelt electric utility landscape more efficient, diverse, resilient and responsive.

AkPIRG strongly encourages the Regulatory Commission of Alaska and the Railbelt utilities to actively include consumer voices when making energy decisions that impact all of us—not just the utilities themselves. This proposed legislative language is a strong step in that direction.

Sincerely,

Veri di Suvero
Executive Director
Alaska Public Interest Research Group

PO box 201416 ♦ Anchorage, Alaska 99520-1416 ♦ email: akpirg@gmail.com

The Alaska Public Interest Research Group (AkPIRG) is a 501(c)(3) organization. Donations to AkPIRG are tax-deductible. EIN: 92-00047627

April 4, 2019

Regulatory Commission of Alaska
701 W. 8th Avenue, Suite 300
Anchorage, AK 99501

Subject: In the Matter of the Evaluation of the Operation and Regulation of the Alaska Railbelt Electric Transmission System.

In the Matter of the Evaluation of the Reliability and Security Standards and Practices of Alaska Electric Utilities.

Commissioners:

Alaska Railbelt Transmission, LLC (ART or Transco) is pleased to respond to the Regulatory Commission of Alaska's (RCA) request for comment on Proposed Legislative Language pertaining to matters under consideration in two informational dockets related to the Operation and Regulation of the Alaska Railbelt Electric Transmission System (I-15-001) and the Evaluation of the Reliability and Security Standards and Practices of Alaska electric Utilities (I-16-002).

ART is an applicant for a Certificate of Public Convenience and Necessity (CPCN) in a proceeding now before the RCA (U-19-009) in partnership with Golden Valley Electric Association (GVEA), Anchorage Municipal Light & Power (ML&P), the City of Seward (SES), Homer Electric Association (HEA), and American Transmission Company Development Incorporated (ATC).

ART acknowledges and agrees with the RCA's prior conclusions in its recommendation to the Alaska Legislature, specifically, "An independent transmission company should be created to operate the transmission system reliably and transparently and to plan and execute major maintenance, transmission system upgrades, and new transmission projects necessary for the reliable delivery of electric power to Railbelt customers. This independent transmission company should be certificated and regulated as a public utility under AS 42.05."

Additionally, ART's application acknowledges the important role the proposed Railbelt Reliability Council (RRC) or other Electric Reliability Organization (ERO) will play in articulating and maintaining the planning protocols and reliability standards under which ART expects to operate. The need for these separate, balancing roles has also been articulated in positions taken by the Railbelt Utilities and other stakeholders in the aforementioned dockets.

ART also proposes to submit transmission projects to the RCA for pre-construction approval, consistent with provisions in the RCA's proposed legislative language. This vetting of projects pursued for the benefit of multiple utilities, consumers and ratepayers is appropriate to ensure conformance with planning protocols and reliability standards, to promote projects that provide

economic benefit to electricity consumers, and to meet the objective of a Railbelt-wide integrated resource plan.

ART acknowledges the RCA's interest in seeking clarification of its specific role and authority with regard to these matters. However, ART encourages RCA to proceed in a manner that continues to encourage, and wherever possible, act upon the successful voluntary efforts undertaken to date by the Railbelt Utilities and other stakeholders, including the ART Transco proposal and the RRC/ERO.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Myers". The signature is written in a cursive, flowing style with a large initial "E" and "M".

Eric Myers
President and Chief Executive Officer
Alaska Railbelt Transmission, LLC
1200 East First Avenue
Anchorage, Alaska 99501



April 4, 2019

ELECTRONICALLY FILED WITH RCA

Regulatory Commission of Alaska
701 W. 8th Avenue, Suite 300
Anchorage, AK 99501

**Subject: *Comments of Chugach Electric Association, Inc., on Commission's Proposed
Legislative Language
Docket I-15-001/I-16-002***

Commissioners:

Chugach Electric Association, Inc. ("Chugach"), hereby submits its Comments on the Regulatory Commission of Alaska's ("Commission") proposed legislative language that would enable the Commission to "certify and regulate an electric reliability organization, and to oversee integrated resource planning and project pre-approval of large electric generation and transmission facilities."¹

The Railbelt is small by comparison to the other North American power grids, and its limited size does not support competitive market conditions or large-scale organizations. By comparison, the Electric Reliability Council of Texas ("ERCOT") (the smallest of the three North American interconnections) had a peak demand of 73,000 MW, and energy consumption of 376,000 GWh. The Railbelt's peak demand in 2018 was 750 MW, and the Railbelt had 4,800 GWh of energy consumption. Despite the significant difference in size, the challenges around reliability, efficiency, open access, stakeholder involvement, capital investment, and cost allocation are much the same.

Since 2014, working through forums such as the RUM,² ARCTEC,³ the BPMC,⁴ and the IMC,⁵ the six Railbelt Utilities have worked diligently and cooperatively on this effort. We have conformed and adopted regional reliability standards and are developing cybersecurity standards. We are working to craft a blueprint for a restructured electric grid business model based on proven models found in the lower 48 states and adapted to the unique conditions of the Railbelt. In this regard, we seek a business model that considers the Commission's desires, minimizes costs, maximizes value, recognizes our region's unique constraints, and stands the test of time.

We have explored several options from fully staffed ISO's to the reduced footprint USO; from dedicated reliability entities to voluntary reliability organizations; and from contracted transmission capital investment to investor-owned transmission organizations and transmission cooperatives.

¹ Order I-15-001(13)/I-16-002(13).

² Railbelt Utility Managers Group

³ Alaska Railbelt Cooperative Transmission and Electric Company.

⁴ Bradley Lake Project Management Committee.

⁵ Intertie Management Committee.

Chugach Electric Association, Inc.

5601 Electron Drive, P.O. Box 196300 Anchorage, Alaska 99519-6300 • (907) 563-7494 Fax (907) 562-0027 • (800) 478-7494
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These efforts are coming to fruition as the preferred regional plan coalesces around a stakeholder governed reliability council (the “RRC”) charged with reliability and cybersecurity standards development; monitoring and enforcement; regional integrated resource planning; standardized open access interconnection protocols development; and, evaluation of a system-wide single load balancing area security constrained economic dispatch. We are currently working with stakeholders to modify the RRC MOU to address their concerns.

The transmission capital investment restructuring effort is less clear. Because transmission efforts will immediately affect hard assets and finances, current economic conditions drive its short to medium-term need, and in this regard, various utilities have differing views. Therefore, with respect to the transmission capital investment restructuring, consensus exists around need, but not around the timing of the need, and thus not around functional implementation. The utilities continue to work cooperatively to reach consensus on transmission capital investment functional implementation.

Along the way, several cooperative opportunities have presented themselves, and we have sought to realize the maximum practical value from each opportunity. These opportunities included Municipal Light and Power (“ML&P”) and Chugach’s joint acquisition of ConocoPhillips’ share of the Beluga River Unit; the-six party tight power pool negotiations; and, most significantly, the proposed acquisition of ML&P by Chugach. The ML&P acquisition will immediately lock in and deliver more than one-half of the tight pool savings for nearly 60 percent of the Railbelt’s 275,000 consumers. Further, the acquisition will likely facilitate implementation of the post-acquisition two-party pool between Chugach and Matanuska Electric Association, Inc. (“MEA”) and greatly simplify the economy energy market for non-pool participants. Finally, the ML&P acquisition will make reaching consensus on issues like the RRC & Transco more efficient and effective. These cooperative efforts build on earlier efforts such as the resolution of the Cook Inlet natural gas shortfall and the development of CINGSA.

The Commission’s interest and willingness to step forward and propose statutory language recognizing an electric reliability organization (“ERO”) is welcome, and the utilities consider it as one possible option in realizing the RRC.⁶ However, there is not complete agreement amongst the Railbelt utilities as to whether or not such legislation is warranted or necessary, as Mr. Johnson speaking on behalf ARCTEC outlined in his testimony of at the recent RCA workshop. Additionally, the six utilities currently can bind themselves by contract, subject to Commission review and approval, obviating the need for such statutory reform. We believe that seeking statutory language in advance of the establishment of the foundational documents and governing board of the RRC is premature, and we desire to have the RRC governing board work with the Commission to develop appropriate statutory language, if necessary.

The siting authority and integrated regional planning authority the Commission seeks in these regulation changes is comprehensive and is a significant change to the current practice in electric

⁶ In fact, language requiring support for such targeted statutory change is included in the current stakeholder revision of the RRC MOU currently under consideration by the Railbelt Utility Manager’s (RUM); however, this draft has not yet been agreed to by the six Railbelt utilities.

Comments of Chugach on Proposed Legislative Language
Docket I-15-001/I-16-002

April 4, 2019

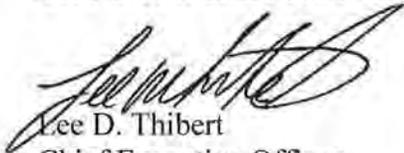
Page 3 of 3

regulation changes is comprehensive and is a significant change to the current practice in electric utility project development. While we believe required regional integrated resource planning is necessary, and Commission project pre-approval language may be appropriate for some projects, once again we desire to have the established RRC work with the Commission to develop the appropriate mechanism for implementing such a requirement.

In conclusion, we welcome the Commission's interest and support in the RRC-Transco process; we desire to see the Commission's will, as expressed in the June 2015 report to the Alaska Legislature implemented, and we continue to work diligently and cooperatively with other utilities and stakeholders to solve this challenge. We believe that at this time, the proposed statutory language is premature, and further, we believe that debating its contents will distract from and delay efforts to develop the RRC and solve the transmission capital investment challenge.

Sincerely,

CHUGACH ELECTRIC ASSOCIATION, INC.



Lee D. Thibert

Chief Executive Officer

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Anchorage, Alaska 99519-6300

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RECEIVED

By the Regulatory Commission of Alaska on Apr 04, 2019

From: Bob Shavelson <bob@inletkeeper.org>
Sent: Thursday, April 4, 2019 4:32 PM
To: Mail, RCA (RCA sponsored) <rca.mail@alaska.gov>
Subject: Dockets Nos. I-15-001(13)& I-16-002(13)

Attached please find comments regarding the above-referenced dockets.

Thank you -

Bob Shavelson

Cook Inletkeeper
3734 Ben Walters Lane
Homer, AK 99603
cell.907.299.3277
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Cook Inletkeeper
3734 Ben Walters Lane
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p. 907.235.4068
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April 4, 2019

Stephen McAlpine, Chair
Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501-3469

RE: DOCKETS NO. I-15-001(13)/I-16-002(13).

Dear Mr. Chairman & Members of the Commission:

Cook Inletkeeper is a public interest organization representing more than 8000 members and supporters in southcentral Alaska. Please accept these brief comments for the record from Inletkeeper on the above-referenced matter.

Inletkeeper has serious concerns about the electrical generation build-out over the past decade along the railbelt, without the planning and coordination needed to protect consumers from substantial debt and rising rates. We're similarly concerned with lack of diversification in energy supplies in the region.

For these and related reasons, Inletkeeper strongly supports the RCA's proposed legislative language regarding transmission, reliability and security because it:

- Provides the RCA with much-needed authority and jurisdiction over an Electric Reliability Organization (ERO);
- Gives the RCA authority to create an ERO if no entity applies to be one, thereby setting a deadline for making it happen;
- Gives the ERO a way to pay for itself;
- Gives the ERO a way to impose meaningful penalties for violations of reliability rules;
- Mandates that the ERO do regional, least cost planning; and
- Gives the RCA a way to enforce planning by giving the Commission authority to pre-approve all "large" generation and transmission projects

Very truly yours,

A handwritten signature in black ink, appearing to read "Bob Shavelson".

Bob Shavelson
Inletkeeper

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By the Regulatory Commission of Alaska on Apr 04, 2019



PO Box 71249, Fairbanks, AK 99707-1249 • (907) 452-1151 • www.gvea.com

Your Touchstone Energy® Cooperative 

April 4, 2019

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501

Re: Response to Commission Order Nos. I-15-001(13)/I-16-002(13)

Dear Commissioners:

Golden Valley Electric Association, Inc. (GVEA) hereby submits comments to the proposed statutory language issued through Commission Order Nos. I-15-001(13)/I-16-002(13).

Overview of Voluntary Efforts

As the Commission is aware, GVEA along with other Railbelt Utilities have been active participants for a number of years in ongoing concerted and collaborative efforts to address a series of recommendations made to the Alaska Legislature in 2015 regarding the operation of the Railbelt electric system. Those efforts include the creation of a Transco, a Railbelt Reliability Council (RRC), and the adoption of updated Railbelt Reliability Standards. Currently, efforts are underway to implement cybersecurity standards on a Railbelt-wide basis.

On February 25, 2019, Alaska Railbelt Transmission, LLC (ART) filed an application for a Certificate of Public Convenience and Necessity (CPCN) to operate, maintain, plan, finance, and upgrade a portion of the Railbelt's transmission network. The application is currently under consideration by the Commission. GVEA is pleased to join the other members of ART in this effort and strongly supports the Commission's review, and approval, of ART's CPCN application.

The Railbelt Utilities have also been working to finalize the Memorandum of Understanding (MOU) outlining the duties and responsibilities that the RRC will perform, including enforcing mandatory reliability and cybersecurity standards, reaffirming Railbelt-wide open-access and uniform Railbelt-wide interconnection protocols, and overseeing regional Railbelt-wide integrated resource planning. Further, the MOU provides that the Commission will have a role to play in the RRC and that parties to the MOU will be subject to the jurisdiction of the Commission, thus making the proposed statutory language unnecessary.

GVEA is concerned that the legislative process of the proposed statutory language will delay the implementation of the RRC by diverting the focus away from standing up the RRC to a

Response to Commission Order Nos. I-15-001(13)/I-16-002(13)
April 4, 2019
Page 2 of 3

legislative political process that may span numerous legislative sessions. While allowing an additional forum for individuals and entities to voice their opinions directly to the legislature may have benefits, GVEA believes the Commission is very capable of hearing from all interested stakeholders and arriving at a fair and appropriate resolution.

Jurisdiction

In Order No. 13, the Commission stated that, “while some Railbelt electric utility representatives believe the RCA possesses statutory authority to certificate and regulate a reliability organization, we believe that legislative clarification may be appropriate given the lack of explicit statutory language authorizing us to regulate an ERO [Electric Reliability Organization].”

¹ While appreciating the Commission’s position, GVEA believes that the Commission’s current statutory framework provides ample authority for the Commission to not only certificate and regulate the RRC (AS 42.05.361), but also to require mandatory compliance with reliability standards (AS 42.05.291) and assess civil penalties and injunctions for violations as appropriate (AS 42.05.561).² Furthermore, the RRC MOU contemplates that the participating utilities will bind themselves through contractual obligations, making Commission enforcement comparable to oversight and review of any special contract a utility enters into under existing regulations.

Siting Authority

GVEA is particularly concerned with the proposed statutory language regarding Commission siting authority and believes that significant discussion and deliberation on that subject is needed. Independent Power Producers and non-Railbelt electric utilities will be impacted by the proposed statutory language as it will impede the ability for these entities to contract with Railbelt Utilities to bring forward new renewable projects.

Costs

GVEA is concerned that the legislative process necessary to adopt the proposed statutory language would require significant costs from all of the Railbelt Utilities to review and to participate in any legislation addressing their implementation. GVEA is proceeding this year without a lobbyist, which we would have to reconsider if this legislation was to move forward. As the Railbelt Utilities are made up of municipalities and electric cooperatives, costs that are incurred are ultimately borne by our members and customers. Significant resources have already been devoted to address the Commission’s recommendations, including the creation of the Transco and the RRC, and the review of the proposed statutory language and its impacts will only increase those costs.

GVEA believes that the ongoing efforts to implement the RRC underscores the cooperative and collaborative efforts of the Railbelt Utilities and that those efforts should continue to be encouraged. Consideration of the proposed statutory language is unnecessary, as appropriate authority currently exists to certificate and regulate an ERO. Additionally, the scope of the proposed statutory language seeks to expand the Commission’s authority into matters that would require significant resources and technical training. GVEA feels that the proposed statutory language will delay the implementation of the RRC and impose unnecessary costs onto our members.

¹ Commission Order Nos. I-15-001(13)/I-16-002(13), Page 4 of 6.

² See the presentation by Mark Johnston at the Commission public meeting on October 24, 2018.

Response to Commission Order Nos. I-15-001(13)/I-16-002(13)
April 4, 2019
Page 3 of 3

Before the Commission proceeds with an effort to secure legislation, GVEA recommends that the Commission convene a technical conference so that the Commission, the Railbelt Utilities, and other stakeholders can collectively work together to amend the proposed statutory language.

Yours,



Cory R. Borgeson
President & Chief Executive Officer

STATE OF ALASKA
THE REGULATORY COMMISSION OF ALASKA

RECEIVED

By the Regulatory Commission of Alaska on Apr 04, 2019

Before Commissioners:

Stephan A. McAlpine, Chairman
Robert M. Pickett
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

In the Matter of the Evaluation of the Operation)
and Regulation of the Alaska Railbelt Electric)
Transmission System) I-15-001
_____)

COMMENTS BY HOMER ELECTRIC ASSOCIATION IN RESPONSE TO
I-15-001(13)/I-16-002(13)

These comments were written in response to Chairman Pickett’s invitation to the public to submit comments to the Regulatory Commission of Alaska (“RCA”) by the 4th of April concerning draft legislation language regarding the formation of an Electric Reliability Organization (“ERO”).

Transco Creation. With the opening of dockets I-15-001 and I-16-002, the Railbelt utilities have been working cooperatively to resolve the issues raised by the RCA in its letter to the legislature dated June 30, 2015. One of the RCA’s recommendations to the legislature was that “an independent transmission company should be created to operate the (Railbelt) transmission system reliably and transparently and to plan and execute major maintenance, transmission system upgrades, and new transmission projects.” All the Railbelt Utilities have been involved in or had the opportunity to be involved in a collaborative process that culminated in the formation of Alaska Railbelt Transmission, LLC (“ART”), a transmission-only entity

(“Transco”) initially composed of four of the six Railbelt utilities and American Transmission Company, LLC.

The RCA further recommended that the entity should be certificated and regulated as a public utility under AS 42.05. An application for a certificate of public convenience and necessity was filed with the RCA on behalf of ART on February 25 of this year. While the outcome of the proceeding before the RCA remains to be determined, the filing demonstrates the ability of the Railbelt utilities to cooperate in resolving issues of significance beyond their individual borders.

RRC Process. The operating agreement for the Transco contemplates the creation of a Railbelt Reliability Council (“RRC”), which is the equivalent of an ERO in the proposed amendment to AS 42.05 distributed by the RCA in I-15-001(13)/ I-16-002(13). Over the past three years the Railbelt utilities have been working collaboratively to develop such an organization. Reliability standards were submitted to the RCA by the Intertie Management Committee and also by Homer Electric Association, Inc. (“HEA”). In addition, the Railbelt utilities negotiated a Memorandum of Understanding (“MOU”) harmonizing the separate reliability standards and committing to create the RRC as an entity charged with overseeing the rules and regulations regarding reliability on the Railbelt. This work was facilitated by the efforts of GDS who held discussions with different stakeholder groups on the Railbelt. As noted in Order 13, four of the six Railbelt electric utilities have signed the document. Because the formation of a Transco and the RRC/ERO should occur simultaneously for several reasons, including to serve as a check and balance, the HEA board approved execution of the RRC MOU contingent upon the formation of a Transco.

The same process that led to the formation of ART is being followed with respect to creating the RRC. Each process began with negotiating one or more documents outlining the terms and principles under which the signatories would organize the entity and committing the signatories to negotiate definitive agreements. The process is now complete with respect to the Transco. The process for the RRC should be encouraged to go forward, unimpeded by political considerations.

ERO Legislation. The RCA's request for enabling legislation to oversee the creation of an ERO, whether it is the RRC or not, appears premature and possibly counterproductive. The utilities should be allowed to continue focusing their energies on completing the process that to date has culminated in their execution of the MOU. It is possible that the effort seeking legislation could have the undesirable effect of delaying the formation of the RRC by diverting the energy and attention necessary to complete the creation of a voluntary RRC.

The Railbelt utilities have invested significant time in reaching the point where a MOU has been signed. The MOU is the result of lengthy discussions by all parties. The RRC as reflected in their agreement does not represent the ideal for any signatory party, but was the result of compromise in order to reach a consensus. The joint efforts to date could be jeopardized if another avenue were to become available for a stakeholder to better its individual position. Holding out a legislative alternative to a negotiated solution could create a powerful incentive for some stakeholders to abandon the cooperative process and seek a legislative solution. All interested stakeholders would then be forced to match the degree of legislative effort by the others, diverting resources that could have been more productively used in a more constructive and cooperative effort.

Notably, the current draft of the legislation does not create an ERO, nor does it allow the RCA to create an ERO. While it mandates that the RCA adopt regulations mandating the interconnected utilities join an ERO, the language is silent with respect to how the initial ERO will be formed. It would appear that competing EROs could be formed and applications filed with a certificate given to the successful applicant. Unless all the utilities in advance have agreed to the formation of the ERO and to its structure, the certification proceedings could be lengthy and complex. The current MOU process is far superior to one that has the potential to create contentious battles at the legislative level and before the RCA. The RCA should give encouragement and support to the collaborative effort now underway. Only if that process fails should a legislative solution be pursued.

Generation Siting Authority. Another issue of concern to HEA is the prospect of legislation granting generation siting authority to the RCA as proposed in the new Section 4(a)-(d) of AS 42.05. Additional discussion on this matter is warranted before such an expanded role of the RCA could be considered by HEA.

Within the context of a Transco, requiring pre-approval for projects is appropriate. The difficulties of siting transmission lines and facilities that exist in the Lower 48 also exist in Alaska. With the state and federal governments and native corporations being significant landowners, it isn't just small "NIMBY" land owners who can complicate the construction of a transmission project. Facing these challenges, RCA review, approval and support of transmission projects is desirable.

Merchant transmission projects seeking customers to interconnect to a newly built substation or transmission wire on speculation typically do not exist. Transmission projects are

usually fully subscribed before construction commences. This is different than the merchant generation model where plants have been built without the output being fully contracted for.

The Integrated Resource Plan (“IRP”) process in the proposed AS 42.05.293 section would mandate prior regulatory approval of generation construction. Merchant generation is built in the Lower 48, and although the lower 48 markets are significantly larger than the Alaska market the concept should not be foreclosed by regulatory approval requirements. HEA has learned from its experience in constructing generation that generation projects can change scope, as well as ownership, over the course of time, with opportunities for savings coming and going, often on short notice. Plans are dynamic, not static, and serve as guides for action, not constraints against different actions. Generation projects planned under the IRP process should be allowed to adapt as different realities emerge (e.g., load change, regulatory requirements, financial, ownership change, etc.) and projects approved in an IRP a few years old may no longer be prudent. Greater consultation with independent power producers is necessary so that their business opportunities are not curtailed by the proposed regulations. Not answered by the proposed legislation is the question of whether a project included in an IRP is guaranteed full recovery through rates, or how cost recovery would be addressed if project costs escalate from the modeled economics.

While mitigating the cost impact of generation construction is an important goal in preparing an IRP, of even more importance is the goal of system reliability. The proposed AS 42.05.293 enshrines least-cost planning as the guiding metric in the planning process; however, reliability considerations are not mentioned. Focusing primarily on the cost impacts of various projects could lead to a system that concentrates its benefits in the higher density area of the Railbelt, and marginalizes the importance of providing the same level of reliability to the less

populated or more remote areas. As a result, depending upon which utility interests prevail in authoring an IRP, system reliability may not equitably improve for HEA or Golden Valley Electric Association, who are disadvantaged as being smaller than, less politically connected, farther from, and connected by only a single transmission line with the greater Anchorage area.

Penalties. Finally, the legislation raises concerns regarding the relationship between an ERO and the RCA regarding enforcement. The draft language proposes both the ERO and the RCA having the ability to impose penalties. Since the ERO is not a State agency, it would make more sense for the ERO to recommend a penalty and then the RCA, functioning as an adjudicatory body, to consider the recommendation and if necessary impose the penalty. Giving both entities the power to impose penalties could lead to confusion. Also, if the RCA were to impose a penalty for a violation, could the amount of the penalty be recovered in rates?

Clarification would be beneficial.

Conclusion. HEA looks forward to continuing the process of addressing the issues raised in I-15-001/I-16-002. HEA realizes that collaborative processes can be lengthy, however, if the entire Railbelt is to be satisfied with the outcome, then staying the course should continue. The RCA has seen from the recent filing of a CPCN for a Transco that joint outcomes among the Railbelt electric utilities are possible. Legislation at this stage may be premature and could inadvertently create undesired delays in the formation of the RRC. Should the RCA believe that firm deadlines are necessary to further the process, the RCA has that power at its discretion.

Respectfully submitted this 4th day of April, 2019.

ALASKA ELECTRIC AND
ENERGY COOPERATIVE, INC. AND
HOMER ELECTRIC ASSOCIATION, INC.

By:

A handwritten signature in blue ink, appearing to read 'Bradley P. Janorschke', is written over a horizontal line.

Bradley P. Janorschke
General Manager
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Phone: 907-235-8551
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**RECEIVED**

By the Regulatory Commission of Alaska on Apr 04, 2019

April 4, 2019

Regulatory Commission of Alaska
701 W. 8th Avenue, Suite 300
Anchorage, Alaska 99501

RE: Comments of Matanuska Electric Association, Inc., on Commission's Proposed
Legislative Language Docket I-15-001/I-16-002

Commissioners:

Matanuska Electric Association, Inc. ("MEA") hereby submits comments in response to the Regulatory Commission of Alaska's ("Commission") Order Inviting Comment on Proposed Legislative Language in the above-referenced dockets. As explained herein, MEA understands the necessity of and will generally support necessary Commission efforts to clarify or establish its authority to create and regulate electric reliability organizations ("EROs"). To that end, MEA offers the following comments.

MEA appreciates the Commission's work in regard to promoting system operations under unified standards and integrated planning amongst the Railbelt utilities. MEA considers a legislative solution as one possible option in realizing the Railbelt Reliability Council ("RRC"), an initiative that currently is being actively pursued by the Railbelt utilities.

MEA anticipates that legislation may ultimately be necessary to establish the authority of the RRC and clearly articulate the Commission's statutory jurisdiction. Nonetheless, MEA is concerned that the introduction of this proposed legislation at this time may, in fact, derail the ongoing utility discussions and delay implementation of the RRC. MEA will cooperate with the Commission and the other utilities to avoid that result, if at all possible. To that end, MEA suggests in its comments below that the Commission allow the utilities to complete their negotiations and finalize the organic documents that will create the RRC. Completing negotiations regarding the creation of the RRC is a necessary first step in achieving system operations under unified standards and integrated planning amongst the Railbelt utilities. Furthermore, formalization of the RRC's structure and authority will enable the Commission and the utilities to refine any legislation geared specifically to regulating EROs, if such legislation is necessary.

Additionally, MEA notes that there are approaches other than legislation to establish a structure and mandate compliance, such as the utilities binding themselves to reliability

standards by contract. While MEA believes a legislative solution might, in fact, be necessary, fundamentally, the initial step in moving forward at this time is to determine what scope of authority the Commission already possesses under the existing statutes and regulations (*e.g.*, commissioning such an analysis by the Department of Law). For example, Mr. Johnson, regulatory counsel speaking on behalf of ARCTEC, outlined in his presentation at an October 2018 public meeting that the Commission already possesses adequate authority to oversee reliability matters and thus needs no additional statutory authority to move forward.

MEA is also concerned with the inclusion in the legislation of Commission siting authority without further definition. MEA believes the expansion of the Commission's powers in this regard requires additional deliberation. These deliberations should include the effect on independent power producers, the effect of siting authority on non-Railbelt utilities, and impeding the ability to contract for generation. The expansion into "siting authority" may lead the Commission into a level of minutia it did not intend or is not prepared for (*e.g.*, specific routing of power lines and associated right-of-way purchase). As a result, MEA would prefer the concept of "project pre-approval."

Another area of concern with the proposed legislation and new Commission processes contemplated is the potential for additional costs to ratepayers. Additional costs may arise from the activities of the Commission and from the additional regulatory burdens on the affected utilities. Accordingly, MEA believes that any authorizing legislation considered in the future should be limited in scope and drafted to be as "surgical" as possible to limit creating uncertainty and placing unnecessary expense on the system consumers.

In addition, MEA believes that any future legislation deemed necessary to address the reliability of the Alaska Railbelt electric transmission system should incorporate the following guiding principles:

- The legislation should incorporate the full intent of the proposed RRC, as outlined in the final memorandum of understanding agreed to by the Railbelt utilities, and require the RRC be implemented by a certain date.
- The RRC should have the clear authority to levy appropriate penalties, including but not limited to fines, as necessary for non-compliance with its reliability standards.
- The RRC should have authority to establish an Open Access Transmission Tariff ("OATT").
- The legislation should clearly define the specifications that delineate what are considered the transmission facility components of a bulk power system, which would fall under an OATT as administered by the RRC.

- Although the planning process of the RRC may involve analysis of transmission, generation and conservation options, the identification and formal approval of transmission projects should be the responsibility of the RRC with oversight by the Commission, while generation and conservation projects remain the responsibility of the respective Railbelt utilities with oversight by the Commission. In the requirements of the adopted reliability standards, system analysis will lead to transmission projects or operational solutions to address any system issues. Projects that come out of this analysis may be included in a formal plan adopted by the RRC. Any transmission plan adopted by the RRC should be submitted to the Commission for approval. The Commission should have the clear authority to approve, reject or modify the RRC plan, which will result in a final approved plan. All transmission projects included in this Commission-approved plan would then be presumed preapproved.
- The development of a regional integrated resource plan should be through a process inclusive of utilities and other stakeholders. This plan should be developed by the RRC. Requirements for additional system generation or load conservation solutions will be identified by this plan and will typically allow for multiple specific projects. Approval for specific generation or conservation projects should be the responsibility of the Railbelt utilities with oversight by the Commission.

Although MEA believes seeking new statutory language in advance of the establishment of clarity over the Commission's existing authority, as well as establishment of RRC foundational documents and a governing board, is premature, MEA nevertheless respectfully submits the following comments, which contain specific proposed changes to the Commission's draft legislative language. These comments generally follow the order of the language as drafted and are subject to change as any draft legislation is developed. MEA submits its suggested changes in order to be responsive to the Commission's request; however, as noted above, MEA is not advocating for this proposed legislation at this time.

Section 1

The terms and definitions are largely lifted from North American Electric Reliability Corporation ("NERC") (*e.g.*, ERO, bulk-power system, Reliability Standard, etc.). The definitions of "bulk-electric system" and "load serving entity" exist within the glossary for the reliability standards. These definitions should be incorporated by reference to the Reliability Standards Glossary. "Reliable operation" should be defined as operating the bulk energy system within the limits defined or identified by the application of the Reliability Standards. This is in recognition of the purpose of the Reliability Standards.

The definition of “interconnected electric energy transmission network” and/or “ERO” should be clarified to specify whether non-Railbelt entities are covered by the ERO. As written, the standards apply statewide.

Section 2

The language in proposed AS 42.05.292 appears reasonably clear that the Commission contemplates certificating just one ERO for each interconnected electric energy transmission network, and MEA agrees with that approach. MEA suggests the Commission consider whether this outcome can or should be more explicitly stated.

With respect to the requirements for an ERO in AS 42.05.292(c)(3), MEA suggests the Commission provide greater clarity or example(s) of what rules and structures would meet these requirements and Commission approval. For example, one provision requires that an ERO have rules to assure its independence from the users and owners and operators of the bulk-power system, while assuring fair stakeholder representation in the selection of its directors and balanced decision making in any ERO committee or subordinate organizational structure.

AS 42.05.292(c)(3)(A). The application and meaning of “independence” as contemplated in proposed AS 42.05.292(c)(3)(A) is unclear. If the intent is to recognize that board members who will be selected from users, owners and operators need to work under rules that require conduct that is independent from benefits to specific organizations, then the language should be clarified. Further, this provision uses the terms “fair stakeholder representation” and “balanced decision making.” The draft legislation would benefit from clarifying the terms “fair” and “balanced” and thereby removing any ambiguity regarding the intent of these terms. These comments apply equally to the terms “independent board” and “balanced stakeholder board” in AS 42.05.292(c)(4).

The six-month deadline for a person to apply to the Commission to be an ERO in 42.05.292(c) appears unduly short. There does not appear to be a need to rush the process. MEA suggests the Commission consider a longer application deadline.

Relatedly, MEA has questions regarding a Commission-formed ERO. If a suitably qualified willing participant does not apply within six months, it is unclear what entity would constitute the Commission-formed ERO. Further, MEA respectfully submits that a Commission-created ERO seems to be in conflict with the desire for stakeholder representation and development.

As drafted, AS 42.05.292(d) and (e) contemplate that the standards created and adopted by an ERO must be reviewed and approved by the Commission before they are effective and binding on member utilities. MEA suggests that the Commission consider an alternative approach whereby the standards created and adopted by an ERO are immediately effective and binding on member utilities, unless the Commission orders otherwise, for example, upon the petition of an aggrieved party. Otherwise, the Commission may get burdened with numerous proceedings over even minor changes to detailed rules.

The Commission should consider whether any Reliability Standards must be part of a Commission-approved tariff or if the ERO's Reliability Standards should be part of its tariff at all. The ERO should have the ability to adopt, add, delete and revise its standards on its own. A stakeholder-driven organization with a balanced board of directors should be empowered to act in its best interests and those of its participating utilities, in accordance with its governing structures such as approved bylaws and a code of conduct.

In regard to the penalties allowed under proposed AS 42.05.292(i), the statute (or subsequently promulgated Commission regulations) should more clearly define the penalties an ERO may impose against a user, owner or operator for a violation of an approved standard. In addition, the Commission should consider adding an alternative dispute resolution process to the remedies available to the ERO (e.g., mediation or binding arbitration).

The Commission should consider whether AS 42.05.292(k) is necessary. Assessment of the reliability and adequacy of the system would necessarily be driven through compliance with the Reliability Standards.

Section 3

MEA has several related concerns with new proposed AS 42.05.293. Overall, MEA believes that the thrust of this section should be integrated "resource planning," not "least-cost planning," because least-cost lacks sufficient definition, and it is unclear how this incorporates reliability requirements.

Subsection 293(b) anticipates an ERO plan covering "generation, transmission, and conservation or similar improvements." Ideally, the ERO's transmission planning should be separated from the other planning aspects. The resultant plan will be driven by specific requirements of the adopted Reliability Standards. The transmission plan should be submitted to the Commission for approval and the final

Commission-approved plan should be binding. Commission approval of other planning aspects can be left to approval of specific projects.

The details of how a resource plan is implemented over multiple utilities (*i.e.*, who builds generation, who pays for it, and who benefits) are unclear. Generation resources are site-specific resources which generally owners pay for and are contracted with specific load to serve. Resource planning should identify system needs but may not specify the specific technology used to meet this need. This allows for a balanced and independent plan. Any resulting proposal would be the responsibility of the utility and the Commission to approve. One solution may be to have separate statutory sections – one for transmission planning and another for integrated resource planning.

Section 4

MEA supports the presumption set forth in subsection (b) of the new section in AS 42.05 as it applies to transmission assets coming out of the transmission plan driven by the adopted Reliability Standards. This presumption should promote ease of project approval, and bidding and funding opportunities. Specific large generation facilities will be required to meet the requirements of the integrated resource plan and demonstrate that they are the solution that best addresses cost and reliability concerns.

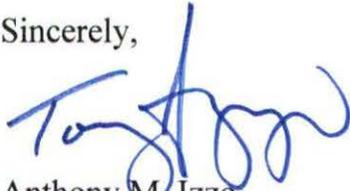
Subsection (d)(1) of the new section of AS 42.05, should be clarified to indicate that transmission lines that are solely for interconnection of the generation facility are considered generation assets, not transmission.

In subsection (d)(2) of the new section of AS 42.05, MEA respectfully submits that the five-mile length requirement appears arbitrary. MEA is concerned that this definition may have unintended consequences. For example, what does this mean for a radial line to a load? MEA suggests that this cover all transmission lines with a voltage of 69 kV or above not solely required to interconnect load or generation.

MEA appreciates the Commission's support of efforts to help achieve system operations under unified standards and integrated Resource planning amongst the Railbelt utilities, and especially its willingness to propose statutory changes recognizing an ERO. MEA believes statutory language is one possible option in realizing a fully empowered RRC or other future EROs statewide. However, there is not complete agreement as to whether or not such legislation is warranted or necessary at this time, nor is there yet a full definition of what entity or entities will need to be regulated in Alaska. We believe that seeking statutory language in advance of the establishment of the RRC is a premature step.

Additionally, should further analysis determine additional statutory language is necessary, an ideal outcome naturally evolving from MEA's recommended approach would be to have the RRC work with the Commission to develop appropriate statutory language.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tony Izzo', with a stylized flourish at the end.

Anthony M. Izzo
Chief Executive Officer

STATE OF ALASKA**RECEIVED**

By the Regulatory Commission of Alaska on Apr 04, 2019

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Stephen McAlpine, Chairman
Robert M. Pickett
Daniel A. Sullivan
Antony G. Scott
Janis W. WilsonIn the Matter of the Evaluation of the Operation)
and Regulation of the Alaska Railbelt Electric)
Transmission System)

I-15-001

)
In the Matter of the Evaluation of the Reliability)
and Security Standards and Practices of Alaska)
Electric Utilities)

I-16-002

PUBLIC COMMENTS OF MUNICIPAL LIGHT AND POWER

On March 15, 2019, the Regulatory Commission of Alaska (“Commission” or “RCA”) issued Order No. I-15-001(13)/I-16-002(13) (“Order 13”) in which it invited comments on proposed legislative language. In Order 13, the Commission proposes enabling legislation that would expand its authority to include the establishment of an Electric Reliability Organization (“ERO”), siting authority, and regional integrated resource planning.

When considering the proposed legislative language for comment, the Municipality of Anchorage d/b/a Municipal Light and Power (“ML&P”) focused on whether the additional legislative authority and the resulting regulatory requirements are necessary in light of the cost to administer such legislation and whether the proposed legislative language is appropriate and technically sound. ML&P offers the following comments in response to the proposed legislative language.

Electric Reliability Organization

The North American Electrical Reliability Corporation breaks reliability into two categories—adequacy and security of the supply of electric power. Railbelt utilities provide and will continue to provide adequate and secure supply of electric power to their customers/members. However, ML&P recognizes that adequacy and security of supply of electric power in the Railbelt could be enhanced through the establishment of a reliability organization to administer and enforce reliability standards. Therefore, ML&P is not opposed to the Commission seeking to clarify or establish its authority to oversee a reliability organization. However, ML&P suggests that an estimate of the costs that will be necessary to fund such an organization be provided along with the proposed legislation. ML&P’s objective is to ensure adequate funding for necessary reliability programs while protecting consumer interests.

The proposed language in AS 42.05.292 is focused on the reliability of the bulk power system. From ML&P’s perspective, in order to protect the security of the Railbelt grid, cyber security standards should be enforceable beyond the boundaries of the bulk power system. For example, a distribution utility or an independent power producer (“IPP”) that has a SCADA connection to a Railbelt Utility, but is not a user, owner, or operator of the bulk power system, should be subject to all, or at a minimum a subset of, the cyber security standards adopted by the reliability organization.

In the following paragraphs ML&P provides comments on specific language proposed in AS 42.05.292.

AS 42.05.292(a) would require “all electric utilities within an interconnected electric energy transmission network for which an electric reliability organization has been

established to participate in that electric reliability organization.” The term “electric utilities” is not defined in AS 42.05.990. ML&P suggests adding an appropriate definition to make clear that the term “electric utilities” in AS 42.05.292(a) refers to all entities meeting the statutory definition of electric “public utility” in AS 42.05.990(5) and (6)(A). Additionally, it is unclear what is intended by the use of the word “participate” in this section. Does this mean participate in the management and operation of the ERO or does this language mean that an “electric utility” is required by legislation to have a seat on the board?

AS 42.05.292(a) states that the Commission shall “hold hearings to determine the most cost-effective method of operating electric reliability organizations.” The intended mechanics of this language are unclear. Is this intended to mean that upon the inception of a reliability organization there will be a one-time hearing to determine a cost-effective method of operating? Or does this mean that at any time during the existence of the ERO, a hearing will be held to make this determination? If a hearing may be required at any time, what are the triggers for a hearing? In addition to the clarifying questions raised, ML&P has concerns about this language. Typically, it is utility management’s initial responsibility to ensure an organization is operating efficiently, and it is the Commission’s primary role to determine whether the entity can recover those operating costs in rates and, when necessary, investigate potentially “unreasonable management practices.” Is the Commission proposing a different paradigm for the ERO? The ERO will be governed by a board in accordance with AS 42.05.292(c)(4) and have its own management team. Therefore, ML&P believes that the board should be empowered to determine the most cost effective method to operate the ERO.

AS 42.05.292(b) states that the Commission shall issue a final rule to implement the requirements of this section not later than 270 days after the effective date of this section. ML&P supports the imposition of a timeline to adopt implementing regulations. However, ML&P believes that the statute should allow, at a minimum, a 730-day (two-year) timeline, as is currently provided in AS 42.05.175(e) for rulemaking dockets, to adjudicate these matters. Additionally, ML&P believes that that the new statute should provide additional time to allow for the drafting and issuance of the first order and proposed regulations in the rulemaking docket to ensure adequate time for effective participation by all stakeholders and to compile a full and complete record on these important issues.

AS 42.05.292(d) and (e). ML&P believes that the ERO should have the authority to consider any reliability standard approved by the governing board valid and enforceable unless and until the Commission invokes AS 42.05.292(g). The structure of the board should ensure the standards are just, reasonable, not unduly discriminatory or preferential, and in the public interest. Additionally, it would be administratively burdensome to submit every adoption of a standard, or amendment to a standard, to the Commission for approval upon a 45-day timeline or longer upon suspension. Additionally, AS 42.05.292(c)(3)(D) requires a reasonable notice period and opportunity for public comment which would be duplicative of the Commission's public comment process if the ERO is required to file each standard adoption or amendment for Commission approval. For these reasons, ML&P suggests that AS 42.05.292(d) and (e) be removed from the proposed statutory language. If those subsections are not removed, ML&P requests that the Commission propose a statutory timeline for such a filing if it is suspended. Additionally, it may

be appropriate to modify existing AS 42.05.291(c) to recognize the establishment of an ERO and clarify that AS 42.05.291(c) does not apply to entities that are subject to AS 42.05.292.

AS 42.05.292(f). If proposed AS 42.05.292(d) and (e) are removed, this subsection is not necessary.

AS 42.05.292(i), (j), and (k). ML&P believes that these subsections do not need to be addressed in statute, and can be adequately addressed in a rulemaking docket. This would also provide for more thorough review and comment as the 20 days allowed in this comment period is insufficient to fully evaluate the impacts of these subsections.

Integrated Resource Planning (“IRP”)

ML&P has concerns about the use of “least-cost” planning used in the section header and AS 42.05.293(e)(1). This is different from and potentially inconsistent with the use of the term “cost-effective” in other parts of this section as “least-cost” is not always synonymous with cost-effective.

ML&P believes there should be a specific statutory timeline for the Commission to adjudicate the IRP.

ML&P suggests that proposed AS 42.05.293 include the same language as AS 42.05.292(b) to establish implementing regulations within a specific timeline. Such regulations should include, among other things, filing requirements when submitting an IRP to the Commission for approval.

Siting Authority

In its last rate case, ML&P stated that “as a general conceptual matter, ML&P would support uniform nondiscriminatory requirements that an electric utility obtain prior RCA

approval of large generation additions provided that the specific requirements implemented do not unreasonably impair the utility's efficient resource planning, financing, or construction."¹

ML&P believes there should be a specific statutory timeline for the Commission to adjudicate a request by a utility for preapproval of a project subject to the provisions in this section.

ML&P suggest that the proposed siting authority section include the same language as AS 42.05.292(b) to establish implementing regulations within a specific timeline. Such regulations should include, among other things, filing requirements when submitting an IRP for approval to the Commission.

RESPECTFULLY SUBMITTED this 4th day of April, 2019, at Anchorage, Alaska.

The Municipality of Anchorage
d/b/a Municipal Light and Power

By: /s/ Anna C. Henderson

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¹ U-16-094/U-17-008 Hearing Transcript, December 21, 2017 at p. 3176.

RECEIVED

By the Regulatory Commission of Alaska on Apr 04, 2019

From: Chris Rose <chris@realaska.org>
Sent: Thursday, April 4, 2019 4:37 PM
To: Mail, RCA (RCA sponsored) <rca.mail@alaska.gov>
Subject: REAP Public Comment on I-15-001 and I-16-002

Hello,

Please find attached REAP's public comments on I dockets 15-001 and 16-002 invited by the Commission on March 15, 2019.

Chris Rose
Executive Director
Renewable Energy Alaska Project
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907-232-0908 (mobile)
chris@realaska.org
www.realaska.org

April 4, 2019

Stephen McAlpine, Chair
Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501

Re: I-15-001 & I-16-002

Dear Mr. Chair & Commissioners:

Renewable Energy Alaska Project (REAP) respectfully submits the following comments on the legislative language offered by the RCA on March 15, 2019.

REAP supports the language becoming law. It would provide the Commission the explicit statutory authority necessary to implement Railbelt grid reforms that the region has been attempting for more than a decade.

Specifically, the language would provide clear statutory authority to the RCA to regulate an Electric Reliability Organization (ERO), such as the proposed Railbelt Reliability Council (RRC). The language would also provide the Commission the clear authority to stand up an ERO if the Railbelt utilities fail to do so. This would effectively put a much-needed deadline on the utilities' voluntary reform efforts – efforts that have been stretching on for too long.

REAP supports explicitly granting authority over integrated resource planning in the Railbelt to the Commission, as well as giving the Commission siting, or pre-approval, authority over all new generation and transmission projects to enforce that planning. It is imperative that the Commission have the authority to pre-approve new projects in the Railbelt to ensure that only those projects consistent with regional plans are built, thereby protecting consumers from having to pay for unnecessary or excessively expensive generation and transmission projects. REAP believes that regional planning will serve consumers by providing a forum to discuss how the Railbelt will inevitably transition to more non-fuel generation resources that can be integrated into one, much larger, regional load balancing area. Regional planning will also give the Railbelt an important platform to discuss issues the region will certainly face in a future filled with rapidly changing technology and policy.

REAP supports an ERO being certificated, and allowing all participating utilities to recover costs associated with its functions. REAP believes those costs should include the resources necessary for the ERO and its committees to address a range of future and often competing options, particularly during the integrated resource planning process.

REAP is pleased that the legislative language would allow the ERO to set penalties for non-compliance with regional reliability standards that have a “reasonable relation to the seriousness of the violation”. REAP believes stronger potential penalties will help ensure compliance, and protect consumers up and down the Railbelt.



REAP is still working with the Railbelt utilities to reach an agreement on language in a Memorandum of Understanding that would form the basis for developing an RRC. Besides reliability and planning functions, REAP also wants to ensure that an RRC would be responsible for ensuring non-discriminatory open access to the grid and monitoring merit order economic dispatch in the Railbelt. If the Railbelt utilities agree to all of these functions for the RRC, REAP hopes that an RRC can still be formed through a voluntary process. If that process can begin soon, it increases the urgency to pass legislation mirroring the language the Commission has offered.

REAP's primary interest in Railbelt reform is the creation of an ERO, and REAP believes the language offered by the Commission would greatly speed its creation. REAP remains concerned that some utilities are putting the formation of a Transco, or transmission utility, first. While both entities are necessary to comply with the recommendations made by the RCA in June 2015, an ERO is absolutely necessary to ensure that transmission planning is done by an entity that does not have a financial interest in the outcome.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Chris Rose", written in a cursive style.

Chris Rose
Executive Director