

Talking Points for SB 257
Legislation Concerning the Railbelt Transmission System

There are currently two bills in the state legislature that concern the Railbelt transmission system that REAP is following closely (SB 217 and SB 257). On Tuesday, April 10, SB 257 will be heard by the Senate Labor and Commerce Committee at 1:30 PM AKDT.

Instructions for testifying: If you wish to testify and you are calling from Anchorage, dial 907-563-9085. If you are calling from anywhere else, dial 844-586-9085. Once you connect, tell the operator, "I want to make a public comment on Senate Bill (SB) 257, which is being heard in the Senate Labor & Commerce Committee."

REAP is truly grateful to the Senate Resources Committee for their hard work and efforts to improve the coordination and efficiency of the Railbelt integrated transmission system via the policy solutions they have proposed in SB 257.

REAP supports Sections 1 and 2 of SB 257, and the concept of eliminating wheeling tariffs.

Section 1 of SB 257 would strengthen the qualifications of commissioners who serve on the Regulatory Commission of Alaska (RCA).

Section 2 would broaden the criteria the RCA can consider when setting rates.

REAP also supports the *concept* of eliminating wheeling tariffs in SB 257, though REAP believes that SB 217 has language that more clearly effectuates the same result. Today, each utility and AEA charge tariffs, or fees, *to move electrons along the transmission system* that can stack up on top of each other (hence the term, "pancaking" wheeling tariffs), resulting in very high costs to use the system and stifling commercial exchanges of power across the Railbelt. REAP believes that a different bill, SB 217, has language that more clearly eliminates wheeling fees as a cost recovery mechanism to pay for the transmission system, instead simply dividing the costs of owning and operating the transmission system among the utilities in the Railbelt who in turn collect all of those costs from ratepayers through utility bills.

However, REAP has several deep concerns about other portions of SB 257 particularly the provision that creates a new entity governed primarily by the Railbelt utilities and the Alaska Energy Authority that would take away the integrated resource planning function from the newly established Railbelt Reliability Council (RRC). There are many sections of SB 257 related to this change, including sections that repeal current law related to integrated resource planning. To better understand those concerns, we have provided some background below.

RRC Background: Four years ago, Legislators agreed that consumers needed a Railbelt-wide coordinated planning process so that the most efficient and effective investments could be identified and made, regardless of their geographic location within the Railbelt. To secure this objective the Legislature passed Senate Bill 123, mandating that an Electric Reliability Organization (ERO) be created to perform this planning function, for both generation and transmission infrastructure. After over two years of regulatory and legal process, the RCA certificated the Railbelt Reliability Council (RRC) to be the Railbelt's ERO.

As mandated by SB 123, the Railbelt Reliability Council is designed to act independently of any particular utility's interests to determine the most efficient and effective investments for the Railbelt grid as a whole.

- The RRC has a balanced stakeholder board that includes all five Railbelt utilities, Doyon Utilities that serves the military, the Alaska Energy Authority (AEA), two independent power producers, three various consumer interests (including REAP) and an independent member.
- The RRC's governance structure ensures that its reliability and planning activities are conducted independently of the interest of any given utility or user of the system.
- The RRC has established the public processes by which the public can participate and oversee its work, and its proposals will receive both peer and regulatory review.

After expending much time and effort to establish these transparent processes and bylaws to protect its independent decision-making, the RRC is now very close to hiring its first CEO, at which point it will be able to begin its planning and standard-setting work.

As written, SB 257 would strip the RRC of its planning function and hand it to a new Railbelt Transmission Organization (RTO), governed primarily by the Railbelt utilities and AEA. SB 257 would effectively give planning back to the five utilities whose lack of coordination and decades of infighting have cost consumers dearly.

- This proposed governance structure contradicts lawmakers' intent in passing SB 123 to establish a planning authority that would act *independently* of any particular Railbelt utility.
- This proposed governance structure contradicts national best practice. All six regional transmission organizations in the Lower 48 that are subject to FERC jurisdiction are fully and structurally independent of generator interests. SB 257 steps away from such independence, and in so doing steps away from this best practice.
- SB 257 has inadequate provisions to ensure that the interests of independent power producers, consumers, or other stakeholders are adequately considered in the RTO's decision-making.

As written, REAP also has concerns that the legislation could lead to future litigation related to a variety of issues, including:

- Conflict between AEA and RCA authority in existing and future regulations.
- The lack of clarity around what constitutes "backbone" transmission assets. If left undefined, this will likely be subject to future dispute.
- The concern that monopoly management control of all "backbone" transmission assets could strip a utility of the ability to directly maintain its assets, but leave unchanged its legal responsibility to continue to serve its customers who depend on those assets.
- The lack of clarity in the legislation around the voting rights of members of the RTO. If based on the current Bradley Lake Project Management Committee, there remains a strong possibility of dispute.

Summary

While REAP sincerely appreciates the bill sponsors' efforts to address the serious issues in the Railbelt, including RCA Commissioner qualifications and pancaking wheeling rates, REAP cannot not support moving planning authority from the RRC to the RTO. REAP respectfully urges the Committee to retain all generation and transmission planning authority within the Railbelt Reliability Council.