Federal Energy Regulatory and Legislative Policy Developments with the Greatest Potential Impact in Alaska

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Agenda

- Congress
- EPA's climate change regulations
- Cyber and physical security
- Transmission

Congress

- Hope for the last two years of the Obama Administration?
  - House passed renewable tax credits (PTC and ITC) extension through end of this month; Senate expected to pass it this week
  - Keystone
  - Natural gas exports/LNG permitting
  - Hydro licensing reform
  - Defunding of EPA climate change regulations

Congress

- Role of Senator Murkowski as Chair of Energy Committee
  - Prerogatives of the Chair regarding FERC nominations
  - Concern that EPA's climate change regulations are encroaching on FERC jurisdiction, thereby potentially harming reliability
  - Oversight role regarding FERC, EPA's regulations, DOE, and DOI
  - Support for natural gas and hydropower in Alaska

EPA Climate Change Regulations

- In June, EPA issued proposed regulations under Sec. 111(d) of the Clean Air Act
- 30% CO_2 reduction from 2005 levels by 2030, by --
  - Improving heat rates
  - Redispatching from coal-fired to gas-fired plants
  - Building more renewables and nuclear power
  - Reducing demand through energy efficiency
- State implementation plans due June 30, 2016, unless one-year extension granted

EPA Climate Change Regulations

- 1.7 million comments filed on December 1
- Rules to become final next June; real litigation begins then
- Supreme Court review in 2018 or 2019
  - Inside-the-fence provisions are relatively safe, but outside-the-fence provisions are vulnerable
  - Assuming normal attrition from Court, outcome likely to depend on 2016 Presidential election

EPA Climate Change Regulations

- Alaska's position? We should be exempt because:
  - Can't increase heat rate because of other EPA air emission requirements
  - Can't redispatch because of insufficient transmission capacity
  - Can't develop utility-scale renewables because of insufficient transmission capacity and generation for firming
  - Can't meet energy efficiency requirements, and they don't fit our needs

EPA's Climate Change Regulations

- What's next?
  - Is an exemption likely?
  - Is killing the regulations a viable option?
  - Is more transmission investment part of the answer?
  - Is better regulation of the transmission system part of the answer?
  - Can hydro play a role in compliance?
  - Should Alaska consider joining with other states in a regional program?

Cybersecurity and Physical Security

LAW360 News, cases, companies, firms Advanced Se

Utility's Control System Hit By Cyberattack, DHS Says

By Jeff Sistrunk Share us on:

Law360, New York (May 20, 2014, 10:10 PM ET) -- A
network was recently compromised in an attack by co

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Cybersecurity

Security Firms Tie Russian Government to Utilities Hacks

Oct 30, 2014 2:00 AM PDT

THE WALL STREET JOURNAL. ≡ BUSINESS

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BUSINESS

U.S. Utilities Tighten Security After 2013 Attack

PG&E to Build Opaque Fences in Wake of Sharpshooters

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By REBECCA SMITH CONNECT

Feb. 9, 2014 7:28 p.m. ET

Cyber attacks on the energy sector

- Like other U.S. businesses, the energy sector is the target of cyber attacks
- Potential consequences of a cyber attack include:
  - Regulatory fines
  - Shareholder litigation
  - Customer litigation
  - Reputational damage

Cyber attacks on the energy sector

- Attackers are sophisticated, nimble and, in some cases, state-sponsored. Just ask Duke Energy Corp., NRG Energy Inc., MISO, and EBCentral Hudson Gas & Electric
- In lower-48, Feds and utilities are scrambling to stay a step ahead:
  - Approximately 7,600 generation plants around the world are using vulnerable software
  - Critical Infrastructure Protection (CIP) are specific and mandatory, enforced by FERC through NERC and EROs
  - NIST Framework has become the standard
  - Homeland Security Cyber Team has issued over 20 alerts an over 20 advisories this year

Physical Attacks

- A sniper attack on Metcalf power substation in 2013 was followed by a physical breach in 2014
- CPUC investigation of PG&E
- FERC approved NERC power system physical security reliability standard Nov. 20, 2014

Attack on California Substation Fuels Grid Security Debate

By Katherine Tweed
Posted 6 Feb 2014 | 19:59 GMT

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When at least one sniper attacked a substation in California last April, the power did not go out. But the incident did bring the issue of power grid security to a new level.

New reports about an attack on Pacific Gas & Electric's (PG&E) substation in California last April raise questions about the vulnerabilities of the U.S. power grid. The Metcalf transmission substation was not a critical facility, but the Wall St. Journal

Reliability Regulation in Alaska

- Alaska's Approach to Reliability
  - Unlike EPA, FERC and NERC lack jurisdiction in Alaska
  - Utilities have developed their own reliability requirements, with voluntary compliance and no third-party enforcement
  - In 2013, the Intertie Management Committee (IMC) adopted Operating and Reliability Standards applicable to any entity interconnecting to the Railbelt
  - Alaska Partnership for Infrastructure Protection (APIP) takes a collaborative approach to identifying risks and developing solutions
  - Is this enough?

Alaska's Transmission System

- Alaska's Balkanized energy system results in --
  - Inefficient generation dispatch
  - A lack of transmission investment, resulting in congestion
  - Inefficient use of hydro resources
  - Barriers to the integration of renewables
  - Reduced reliability
- Coincidentally, solving these problems also reduces CO_2 emissions

What's Next?

- Ongoing discussions in Alaska regarding an ISO and Transco
- Under RCA oversight, the ISO would be responsible for
  - economic dispatch
  - developing a system-wide tariff
  - drafting and enforcing reliability standards
  - ensuring non-discriminatory open access
- Transco would be responsible for financing, building, owning, and maintaining transmission assets
- RCA to issue report in June of next year

Wrap-Up

- Congressional gridlock
  - Can Chairman Murkowski make a difference?
- EPA's climate change regulations present a huge challenge for Alaska
  - Is there a win-win compromise?
- Cyber and physical attacks are a direct threat to all utilities
  - Is Alaska's voluntary approach sufficient to meet those threats?
- Moving toward an ISO/Transco model
  - Can we kill two (or more) birds with one stone?