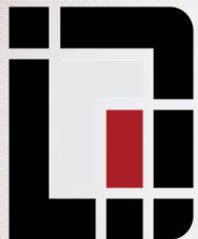


Federal Energy Regulatory and Legislative Policy Developments with the Greatest Potential Impact in Alaska

Law Seminars International
December 8, 2014



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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% CO₂ 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



News, cases, companies, firms



Advanced Se

Utility's Control System Hit By Cyberattack, DHS Says

By Jeff Sistrunk

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Law360, New York (May 20, 2014, 10:10 PM ET) -- A utility 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

BUSINESS

U.S. Utilities Tighten Security After 2013 Attack

PG&E to Build Opaque Fences in Wake of Sharpshooters

Email Print 20 Comments



By REBECCA SMITH

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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 and 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 CO₂ 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?