

Alaska State Legislature

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House Bill 328 - Sponsor Statement

"An Act relating to surcharges for strategic investments by public utilities."

A strong economy requires reliable utility infrastructure to deliver energy to homes, businesses, and critical facilities, including schools, hospitals, and military bases. To provide that reliable infrastructure, utilities must make periodic investments to meet energy demand as communities grow and increasingly rely on new technologies for daily functioning. While Alaska's electric and gas utilities have pursued beneficial resource acquisition opportunities for their customers including generation, gas supply, and gas storage, additional infrastructure will be required to support Alaskans' energy needs in the near future.

Strategic investments in electric utility infrastructure and natural gas utility infrastructure are necessary to enable Alaska electric and natural gas utilities to:

1. Provide uninterrupted utility service in a state unconnected to alternative supply sources while attracting economic development projects across a variety of industries; and
2. Continue reliable support for existing customers by investing in additions of new utility infrastructure to support growth and accommodate the evolving sources of natural gas supply in the state.

Under existing rate-setting rules, a utility cannot typically recover the costs of a major project until the project is 1) completely constructed; 2) providing service to utility customers; 3) the utility files a full general rate case; and 4) the Regulatory Commission of Alaska (RCA) approves the utility's rate case filing. This creates a significant lag between the time in which a utility invests in a project and when it can recover such costs. In the meantime, the utility must carry the financial burden of construction without any cost recovery, creating a disincentive to invest in growth and reliability improvements that Alaskans need.

House Bill 328 creates a new regulatory tool, the Strategic Investment Surcharge (SIS), that allows a utility to begin recovering costs on qualifying infrastructure projects before a general rate case is complete. The surcharge covers construction-period carrying costs, operating expenses, and a reasonable return on the investment once it enters service. When a full rate case is filed, the project costs move from the surcharge into base rates, maintaining transparency and regulatory oversight.

By reducing the financial risk of large capital projects, the SIS mechanism makes it more viable for utilities to expand capacity, serve new customers, and modernize aging infrastructure- particularly in communities where growth demands are outpacing current systems.

The SIS also incorporates safeguards to ensure that utility costs continue to receive the same level of review and that costs included in customer rates are just and reasonable. The legislation also

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supports customers with more gradual adjustments to bills each year, rather than sharp increases every few years following a utility rate case when rates are adjusted to reflect past investments.

This legislation modernizes Alaska's utility regulatory framework by aligning it with tools already used in many other states. It accelerates infrastructure investment, supports economic development, and improves service reliability while preserving the RCA's authority to protect consumers. It is a pro-growth, pro-reliability measure with built-in accountability.