



HB 120: REGULATORY COST CHARGE FOR FERC MATTERS



John Ptacin, Department of Law

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What is the regulatory cost charge (RCC)?

- ▶ The RCC is a fee assessed on public utilities and pipelines that are regulated by the Regulatory Commission of Alaska (RCA).
- ▶ It is created by AS 42.05.254 (for utilities) and AS 42.06.286 (for pipelines).

Who Pays RCCs?

- ▶ Utilities and pipelines that are regulated by the RCA pay RCCs, including:
 - over 125 public utilities and
 - about 20 common carrier pipelines with in-state deliveries.
- ▶ Those utilities and pipelines may pass the charge onto customers that benefit from RCA regulation.
- ▶ Each year, the RCA assesses RCCs to utilities and pipelines based on the amount of work required for each industry sector.

What does the RCC pay for?

The money collected in the RCC provides funding for:

- ▶ the Regulatory Commission of Alaska (RCA), which is responsible for the economic regulation of public utilities and intrastate common carrier pipelines in Alaska, and
- ▶ the Regulatory Affairs and Public Advocacy (RAPA) section in the Department of Law, which is charged with advocating for the public interest in matters related to the economic regulation of public utilities and pipelines.

What does the RCC pay for?

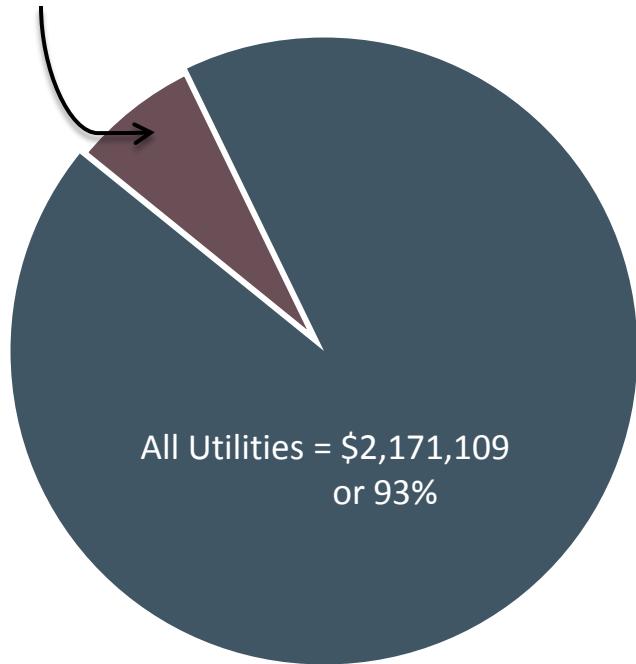
Just and reasonable rates
for utility and pipeline customers.

How Much Is It?

- ▶ Total RCCs cannot exceed 0.87% of the adjusted gross revenue (revenue derived from operations in Alaska) of the regulated utilities and pipelines.
- ▶ Statute allocates that 0.87% between the RCA and RAPA.
 - RCCs funding the RCA cannot exceed 0.70%
 - RCCs funding RAPA cannot exceed 0.17%

RAPA's 2017 Budget

Pipelines =
\$162,591 or 7%



- ▶ 0.17% Statutory Cap = \$2,374,390
- ▶ RAPA's 2017 Budget = \$2,333,700
- ▶ Budget is \$40,690 under the cap

What would HB 120 change?

- ▶ **This bill does NOT:**
 - Change the 0.17% RCC cap.
 - Create new authority for the Attorney General to participate in matters before FERC.
- ▶ **This bill will:**
 - Allow some costs incurred by the department in matters before FERC (TAPS pipeline tariffs) in the pipeline RCC.
- ▶ **This bill might:**
 - Increase the amount of RCC allocated to pipelines.
 - Because the size of the “pie” is not changing, an increase in the pipeline RCC would reduce the RCC paid by utilities.

How would HB 120 impact consumers?

- ▶ Pipelines can pass the RCC onto customers for in-state shipments.
- ▶ This increase would not be significant because the cost is spread across all regulated pipelines and each unit of oil or gas shipped.
- ▶ For example, adding \$100,000 to the pipeline RCC for the last two quarters of 2017 would increase the pipeline RCC surcharge by about 0.048%, i.e., a \$10,000 billing to a pipeline customer would increase by \$4.84.
- ▶ The \$4.84 surcharge helps ensure the \$10,000 bill is “just and reasonable.”

Why now?

- ▶ For over 30 years, outside counsel has represented the state on FERC pipeline matters.
- ▶ To reduce costs, Law is developing the necessary expertise and bringing more of this work in-house.
- ▶ In the process of budgeting for this increased in-house workload and searching for budget efficiencies, it came to our attention that the RCC may be an appropriate funding source.

Is there a check on RCC spending?

External limits on RAPA's RCC spending include:

1. Statutory 0.17% cap on RCCs for RAPA.
2. RCA review of RAPA's certified costs in a public docket where any interested party can comment.