

**HOUSE BILL NO. 328**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE KOPP

Introduced: 2/23/26

Referred: House Special Committee on Energy, Finance

**A BILL****FOR AN ACT ENTITLED**1 **"An Act relating to surcharges for strategic investments by public utilities."**2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**3 \* **Section 1.** AS 42.05 is amended by adding a new section to read:4 **Sec. 42.05.387. Strategic investment surcharge.** (a) A public utility may  
5 request that the commission approve a strategic investment surcharge to recover costs  
6 incurred by the utility for a strategic investment that is not otherwise recoverable  
7 through existing commission-approved rates.8 (b) The commission shall adopt regulations relating to strategic investment  
9 surcharges. The regulations must provide a process to apply for approval of a strategic  
10 investment surcharge. A public utility may recover through a strategic investment  
11 surcharge12 (1) a return on construction work in progress and operating expenses  
13 accrued during construction;14 (2) a return on the rate base and operating expenses when the  
15 investment is complete and in service; and

1 (3) expenses associated with the construction of a strategic investment  
2 that will not be capitalized.

3 (c) The regulations must require that a public utility, when calculating the  
4 amount of a strategic investment surcharge,

5 (1) for construction work in progress, including projections and actual  
6 costs, use year-end information not subject to averaging beginning-of-year or end-of-  
7 year balances;

8 (2) calculate the cost of capital using the cost of long-term debt  
9 approved or accepted in the public utility's most recent general rate case or formula  
10 rate annual revision tariff filing;

11 (3) calculate the cost of capital using the return on equity approved or  
12 accepted in the public utility's most recent general rate case;

13 (4) during construction of a strategic investment, include only long-  
14 term debt and equity in the capital structure; and

15 (5) for a strategic investment that is complete and in service, use the  
16 capital structure and overall rate of return that was approved or accepted in the public  
17 utility's most recent general rate case or formula rate annual revision tariff filing.

18 (d) A public utility shall notify the commission of the utility's intent to  
19 implement a strategic investment surcharge. The notice must comply with regulations  
20 adopted by the commission.

21 (e) A public utility may apply an allowance for funds used during construction  
22 to specific qualifying strategic investment costs until the surcharge that includes those  
23 specific costs is implemented. A public utility may not apply an allowance for funds  
24 used during construction to costs that are included in the strategic investment  
25 surcharge.

26 (f) A public utility shall file annual updates with the commission, as required  
27 by regulations adopted by the commission. An annual update must include costs for  
28 construction work in progress on which the public utility will earn a return, amounts  
29 that would otherwise be recorded by the utility as allowance for funds used during  
30 construction, and any expenses associated with the construction work in progress that  
31 will not be capitalized.

1           (g) When construction of a strategic investment is complete and the  
2 investment is in service, the public utility may earn a fair and reasonable return on  
3 capitalized costs and ongoing expenses associated with the strategic investment  
4 through the strategic investment surcharge until the utility's next general rate case. In  
5 the public utility's next general rate case, the utility shall move capitalized amounts  
6 and associated expenses for a completed strategic investment from the surcharge into  
7 the utility's base rates. The public utility may continue to use the strategic investment  
8 surcharge to recover costs and expenses associated with a strategic investment that is  
9 not complete and in service.

10           (h) The commission shall issue a final order on a request for approval of a  
11 strategic investment surcharge not later than 90 days after receiving a filing from a  
12 public utility that meets the requirements of this section and regulations adopted by the  
13 commission.

14           (i) If the commission determines that costs recovered in a strategic investment  
15 surcharge were not prudently incurred by a public utility, the commission shall order  
16 the utility to refund those costs through customer bill credits.

17           (j) In this section,

18                   (1) "general rate case" means a proceeding before the commission,  
19 initiated by a public utility in accordance with regulations adopted by the commission,  
20 in which the commission reviews the utility's costs and revenues to establish the  
21 utility's base rates and adjustment clause methodology;

22                   (2) "strategic investment" means an infrastructure investment, by  
23 either construction or purchase, and associated operating expenses that

24                           (A) support growth and economic development in the state; and

25                           (B) maintain and improve the provision of reliable utility  
26 service to new and existing customers in the state.