

# CS for SB32

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# CS for SB32 (Version I)

“An Act relating to costs incurred by certain electric utilities for renewable energy and battery energy storage.”

Feature	Original SB32 (Version A)	CS SB32 (Version I/CSSB 32)
Size Threshold:	<15,000 kW (15 MW)	<5,000 kW (5 MW)
Project Count Limit:	No limit on the number of projects	Limited to three projects in a three-year period
Applies to:	All renewable or battery projects under 15 MW approved by a coop board organized under AS 10.25*	Same, but only if under 5 MW and limited to three instances

\*must also be members of a certified electric reliability organization (ERO) under AS 42.05.760.

# What this bill does and does not do:

- Does not **prohibit** the construction of a project <15 MW. This has already been exempted (42.05.785 – section preapproval for large energy facilities). This does not impact this aspect of “pre-approval”.
- This bill addresses rate basing and pass-through of costs from IPPs. It allows the utility to put the entire costs of the project (or PPA) into the rate base, without being subject to RCA review (only the coop board of the “constructing” utility is the decision maker).
- CS limits both the size and the number of projects that can qualify.

# Why change the threshold from 15MW-> 5MW?

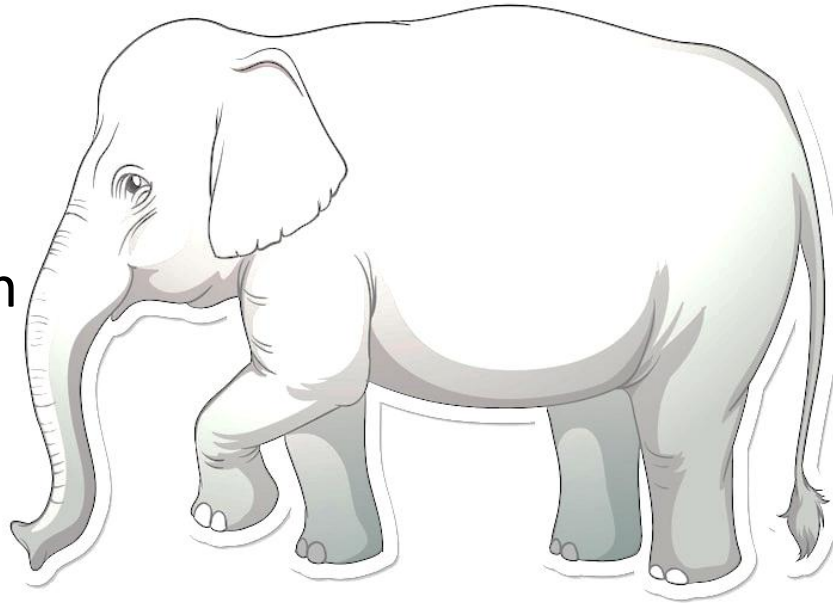
**The 5 MW threshold reflects real system constraints.** Projects larger than 5 MW are more likely to connect to the transmission system rather than a local distribution network, making them far more likely to impact other users and require regional coordination.

*There's a practical inflection point—typically somewhere between 5 and 10 MW—where a project begins injecting more power than the local distribution system can safely or efficiently carry*

# Thought experiment

## Current Scenario:

- Not prohibited under AS42.05.785
- Increased rates could probably be passed through under SRF for a while ...
- But, the RCA might not approve rate-basing of the project at some point (e.g., general rate case).
- Another utility or other parties within their own service territory could challenge the rates.



**Very expensive  
project (14 MW)**

## Original Language SB32:

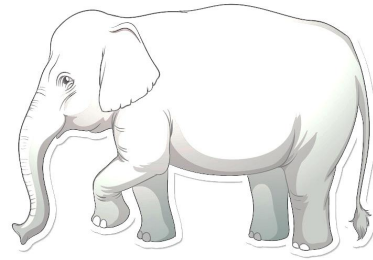
- Project is still not prohibited under AS42.05.785
- The additional project costs would be automatically added to the rate base or passed through (for purchased power)
- They could not be challenged by others at the RCA.
- Limits other parties' ability to challenge the rate (especially another utility that is not represented in the original decision).



# Thought experiment continued ...

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**Very expensive project (4 MW)**

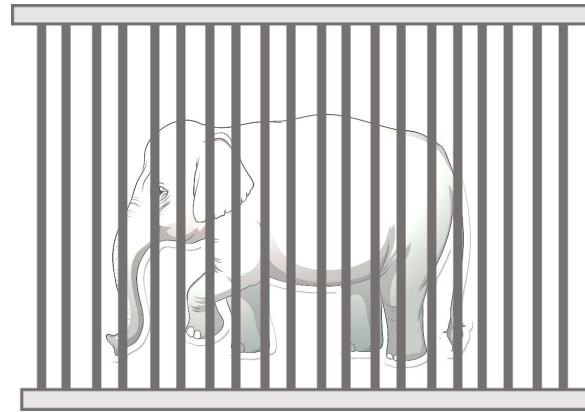
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# Why stop at 5MW from an Economist Perspective?

**Economies of scale can be achieved with projects ~5 MW.**

ACEP research shows real economies of scale are achievable at 5MW, with minimal additional economies of scale between 5 and 15 MW.

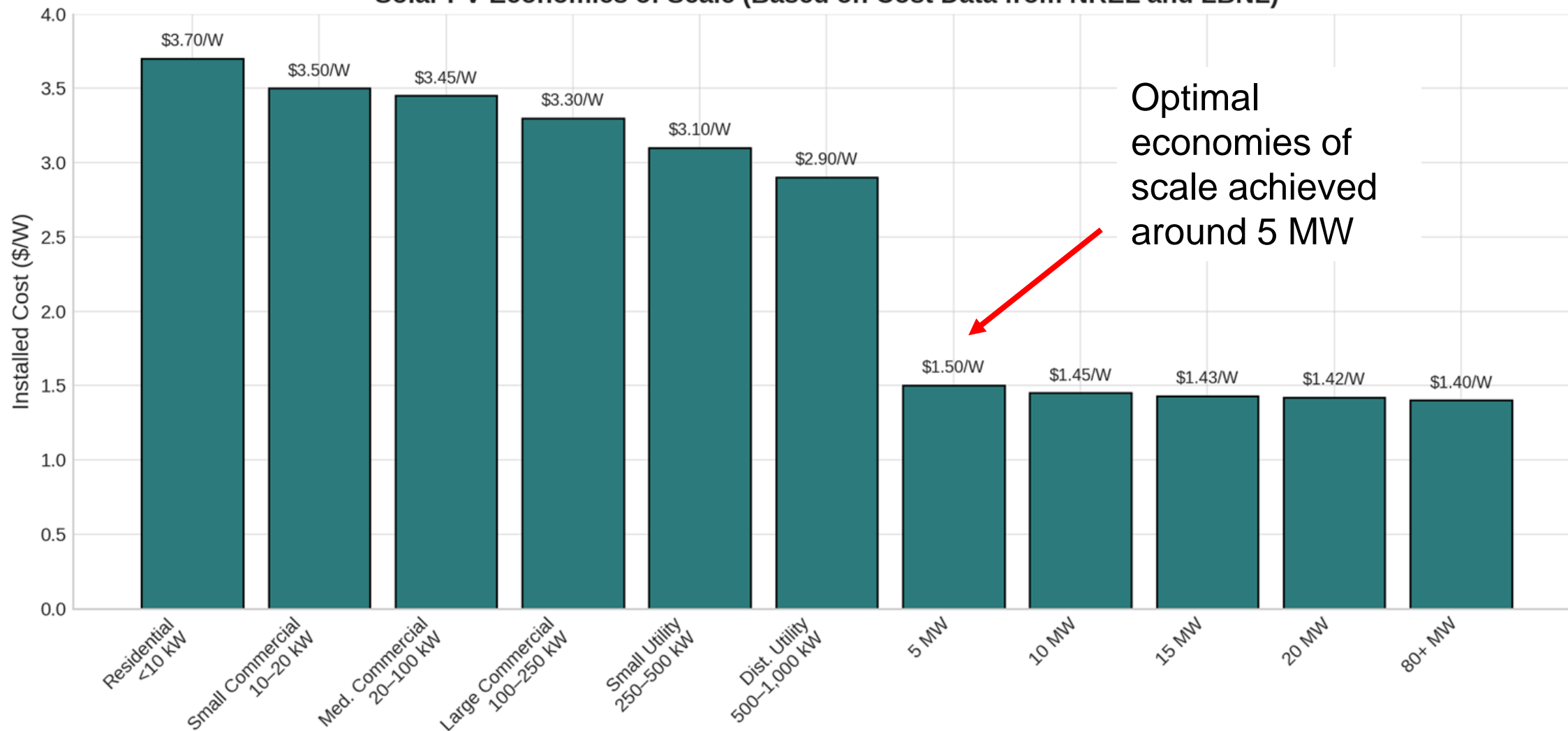
5 MW may represent a "sweet spot" where projects are large enough to benefit from scale but small enough to avoid added complexity and cost and small enough to avoid impinging on neighboring utilities.



# Additional Considerations

1. Allowing projects with potential cross-jurisdictional impacts to proceed outside RCA review could merely transfer disputes to other venues – such as superior court.
2. Retaining some exemption at 5 MW allows flexibility for individual coop boards to pursue meaningful renewable energy projects whose benefits and impacts are local.

## Solar PV Economies of Scale (Based on Cost Data from NREL and LBNL)



Berkeley Lab. (2023). *Utility-scale solar: Empirical trends in project technology, cost, performance, pricing, and market value in the United States – 2023 Edition* (DOE/GO-102023-5941).

Lawrence Berkeley National Laboratory. <https://emp.lbl.gov/publications/utility-scale-solar-2023>

Feldman, D., Ramasamy, V., Fu, R., Ramdas, A., Desai, J., & Margolis, R. (2021). *U.S. solar photovoltaic system and energy storage cost benchmark: Q1 2021* (NREL/TP-6A20-80694). National Renewable Energy Laboratory. <https://www.nrel.gov/docs/fy22osti/80694.pdf>