

ALASKA ENERGY AUTHORITY

# SB 218: TAX: ELECTRIC COOPS/GENERATION/ STORAGE

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Senate Labor and Commerce Committee  
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50 YEARS OF SERVICE



# AEA Programs and Services Overview



## Owned Assets

- Bradley Lake Hydroelectric Project
- Alaska Intertie
- Sterling to Quartz Creek Transmission Line
- Cook Inlet PowerLink



## Power Cost Equalization

- \$47 Million Program
- 193 Rural Communities
- 81 Electric Utilities
- Benefits 81,000+ Alaskans (All figures reflect FY2025)



## Rural Energy

- Bulk Fuel Upgrades
- Rural Power System Upgrades
- Circuit Rider Program
- Electrical Emergency Assistance



## Renewable Energy and Energy Efficiency

- Renewable projects; biomass, electric vehicles, hydroelectric, solar, and wind
- Federal programs: National Electric Vehicle Infrastructure and Home Energy and High Efficiency Rebate Allocation



## Grants and Loans

- Renewable Energy Fund
- Power Project Fund
- Federal Grants



## Energy Planning

- Alaska Energy Security Task Force
- State Energy Security Profile
- Electronic Library
- Energy Data Resources
- 40101(d) Grid Resilience



## Railbelt Transmission Organization

- AEA, Railbelt Reliability Council, and Utility Governance
- Certificate of Public Convenience and Necessity
- Tariff Under Regulatory Review

# Senate Bill 218 Summary

Tax reform and economic impact for electric cooperatives



Tax Repeal

## Repeals kWh Tax

Eliminates the \$0.0005 per kilowatt-hour (kWh) tax currently assessed on electric cooperatives for each retail kWh sold.



Consumer Benefit

## Direct Rate Reduction

Repeals the tax levied as a pass-through charge by electric cooperatives, resulting in a direct reduction of ~\$0.0005/kWh for ratepayers.



Fairness

## Equal Tax Treatment

Aligns tax rules for IPPs, public utilities, and joint action agencies to ensure more equal tax liability under State law.



AS 10.25.580

## Repeals Ad Valorem

Specifically repeals the ad valorem tax levied on electric cooperatives under current statutes.



Post July 1, 2024

## Expanded Exemptions

New generation and storage facilities exempt from state/local ad valorem, income, and excise taxes; including direct facility-to-customer arrangements.



Scope

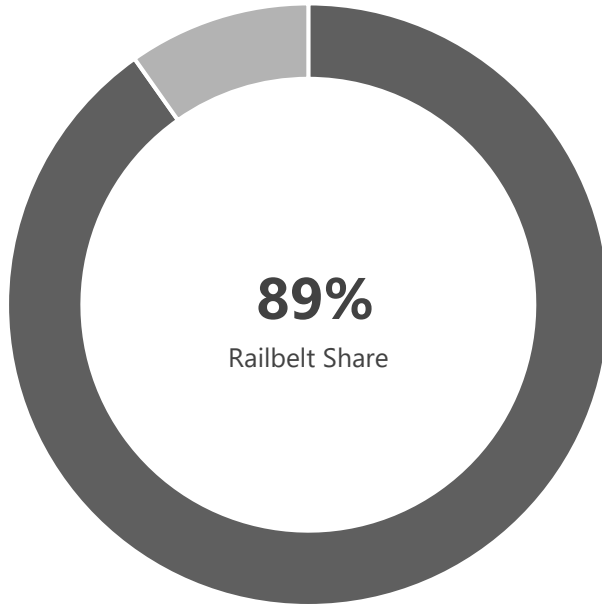
## Unified Approach

Standardizes tax exemptions for-both electricity generation and storage infrastructure.

# FY2025 Impact: Collections and Distribution

Breakdown of tax revenue sources and fund allocation (Source: Alaska Department of Revenue, Tax Division, 2025 Annual Report)

**Total Tax Collected** **\$2.45M**



- Railbelt Electric Utilities **\$2.19M**
- Rural Electric Coops **\$256.6K**



## Revenue Distribution



**Refunded to Municipalities and Boroughs** **\$2.38M**



**State Collection Costs** **\$50.1K**

Direct Ratepayer Impact

**~\$0.0005/kWh**

Reduction in retail energy charge for coop members



# Sectional Analysis

Timeline of legislative changes and key provisions by section

Sec  
01

## Preserve Electric Cooperative Exemptions

Amends Alaska Statute (AS) 10.25.540 to explicitly preserve the existing exemptions afforded to electric cooperatives from State and local ad valorem, income, and excise taxes following the specific tax repeal.

Sec  
02

## Refunds to Local Government

Administrative measure amending AS 10.25.570 to remove references to the repealed electric cooperative tax from local government refund procedures.

Sec  
03

## Joint Action Agencies

Amends AS 42.45.310(f) to remove the requirement for Joint Action Agencies to pay the now-repealed electric cooperative tax.

Sec  
04

## Generation and Storage Parity

Exempts electric generation and storage facilities (in service  $\geq$  July 1, 2024) from state and local taxes. Establishes equal treatment for IPPs, utilities, and agencies.

Sec  
05

## Tax Repeal

**Primary Action:** Repeals the Electric Cooperative Tax (AS 10.25.540(b)(2)) and associated tax amount prescribed (AS 10.25.555), and associated Ad Valorem tax (AS 10.25.580) to lower operational costs.

Sec  
06

## Effective Date

Provides for an effective date of **July 1, 2026**.

# Bill Support and Governor's Priorities

Implementing the Alaska Energy Security Task Force Recommendations



## Task Force Alignment

Directly supports **Strategy E** of the **Alaska Energy Security Task Force** report (December 2023), established under Administrative Order 345 to ensure energy affordability and security.

## Strategic Policy Action

Executes **Action E-2.1** by establishing a strategic tax approach that **incentivizes private sector activity**, leading to lower cost, local, and reliable energy development.

## Ratepayer Impact

Achieves strategic tax reform through more **equal tax treatment** and reduced liability, resulting in a **direct cost reduction** for Alaskan ratepayers.



# Thank You

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