Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version: HB 301
Fiscal Note Number:
() Publish Date:

Identifier: HB301(HL&C)-RCA-RCA-5-6-22
Title: UTILITIES: RENEWABLE PORTFOLIO STANDARD
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Labor and Commerce Committee

Department: Department of Commerce, Community and Economic Development
Appropriation: Regulatory Commission of Alaska
Allocation: Regulatory Commission of Alaska
OMB Component Number: 2417

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2023**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
Personal Services	344.0		344.0	516.0	516.0	860.0	860.0
Travel	12.0		12.0	18.0	18.0	30.0	30.0
Services	952.0		527.0	542.0	542.0	572.0	572.0
Commodities	20.0						
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**1,328.0**	**0.0**	**883.0**	**1,076.0**	**1,076.0**	**1,462.0**	**1,462.0**

Fund Source (Operating Only)

1004 Gen Fund (UGF)	1,328.0		883.0	1,076.0	1,076.0	1,462.0	1,462.0
Total	**1,328.0**	**0.0**	**883.0**	**1,076.0**	**1,076.0**	**1,462.0**	**1,462.0**

Positions

Full-time	2.0		2.0	3.0	3.0	5.0	5.0
Part-time							
Temporary							

Change in Revenues

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2023) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/24

Why this fiscal note differs from previous version/comments:

This fiscal note, amended by the House Labor and Commerce Committee, decreases the number of positions and their associated costs in the first two years and gradually adds positions and associated costs in the out-years, if necessary. A one-time estimated contractual cost of $425.0 is added in the first year for a capacity expansion study by the National Renewable Energy Laboratory.

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Phone: (907)465-2647
Date: 05/06/2022

FISCAL NOTE ANALYSIS

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Analysis

This legislation is not intended to constitute implementation by the Regulatory Commission of Alaska (RCA). Federal law still applies and could create conflicting obligations.

This bill only applies to load-serving entities (LSEs) and states that limiting transmission rates to "costs" is surplus. If this limits rates to the direct expense of the transmission system, it could result in confiscatory rates or the utility not meeting covenants in debt instruments. Existing statutory law balances this consideration with the "just and reasonable" standard, requiring a new standard be created exclusively for LSE-owned transmission. Regulations will be adopted that address implementation and how the LSEs or other entities would pay for any required transmission system upgrade expense.

This bill states that a public utility constructing a facility may not do so unless the RCA determines that it is not detrimental to the LSEs ability to meet the renewable portfolio standard. It provides a broad definition of distributive energy systems that would include a customer rooftop solar installation. Distributive energy systems are subject to net metering tariffs.

The RCA's powers are expanded to include an auditing function. These responsibilities will require additional resources and positions. It also establishes a noncompliance fine for LSEs that do not meet the renewable portfolio standard and provides for exemptions. The fines will be collected and held by the load-serving entities, and audited by the RCA to ensure that they will be invested in new renewable energy for each service area.

Finally, this legislation also establishes Renewable Energy Credits that can be traded, sold, and transferred for value. Since the Credits system will not begin until FY2027, it is expected that contractor costs will gradually increase over time.

Operations of the RCA are funded by the Regulatory Cost Charge (RCC), which is statutorily required to be set each year to fully support the RCA's operations. This legislation expands the responsibilities and scope of the RCA beyond current capacity, and the necessary increase in staff and costs will exceed the RCC cap. Therefore, this fiscal note reflects funding via an appropriation from the general fund.

The RCA would not be able to accomplish the full scope of work in this bill with existing funding. The RCA would require additional positions, starting with two (2) in FY2023 to FY2024, three (3) in FY2025 to FY2026, and five (5) beginning in FY2027 and on; as well as outside support from contractors; and support for legal expenses. The RCA will contract with the National Renewable Energy Laboratory (NREL) for a one-time cost for an Alaska Capacity Expansion Model, estimated to be $425.0. NREL is a national laboratory of the U.S. Department of Energy, and this contract will offer a road-map to inform the FY2023 to FY2050 implementation of this bill.

Since the full-time auditing capacity will not be needed until FY2027, the costs are expected to increase each year until FY2027, after which point they should remain fixed. The RCA will not be required to collect the fines, but rather audit that each load-serving entity collects the value of the fines for investment.

Personal Services:	$ 344.0	Two new positions for auditing, complaint resolution, filings, enforcement, etc in the first two years. Estimated at $172.0/position/year
Travel:	$ 12.0	Travel for training and job duties
Services:	$ 922.0	Contractor support and legal costs
	$ 30.0	Core services costs ($15.0/position/year)
Commodities:	$ 20.0	New employee startup costs in FY2023 only ($10.0/position)

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

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Analysis

Operations of the RCA are funded by the regulatory cost charge, which is statutorily required to be set each year to fully support the RCA's operations. However, this increase in expenses will put the RCA over the statutory cap and would require a separate appropriation from the general fund.

(Revised 11/23/21 OMB/LFD)