



House Bill 313: Public Utility Regulatory Cost Charge

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House Labor and Commerce Committee
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Organizational Structure

Commission Section

- Five Commissioners
 - (Appointed by the Governor and confirmed by the Legislature)
- Consumer Protection and Information Staff
- Support Staff
 - (Administrative Operations, Law Office Assistants, Records & Filing, Information Systems)

Administrative Law Section

- Administrative Law Judges
- Paralegals

Advisory Section

- Advisory Section Manager
- Utility Tariff Analysts
- Utility Engineering Analysts
- Utility Financial Analysts
- Communications Common Carrier Specialists

Utility Master Analysts



Robert A. Doyle
RCA Chairman



John Espindola



Keith Kurber II



Robert M. Pickett

Vacant

RCA Authority

AS 42.04 (Regulatory Commission of Alaska)

AS 42.05 (Public Utilities)

AS 42.05.760 – 42.05.800 (Electric Reliability Organization)

AS 42.06 (Common Carrier Pipelines)

AS 42.08 (Contract Carrier Pipelines)

AS 42.45 (Power Cost Equalization)

AS 42.05.141(a) – “The Regulatory Commission of Alaska may do all things necessary or proper to...regulate every public utility engaged or proposing to engage in a utility business inside the state,”

What We Do: Regulating Public Utilities and Pipeline Carriers

RCA Core Services

Certification

- Review applications for Certificates of Public Convenience and Necessity (CPCN) and determines if applicants are **fit**, **willing**, and **able** to provide service.

Tariff Review

- Review tariff filings made by utilities or pipeline carriers that seek to change their rates or terms of service.

Regulation of Rates and Services

- Ensure the rates a utility charges its customers are **just** and **reasonable**, and that rates, services, and practices of public utilities abide by their filed tariff.

Dispute Resolution

- Investigate complaints regarding utility service quality, billing, or management practices.

Calculation of Power Cost Equalization

- Calculate the power cost equalization amounts for each regulated and non-regulated participating electric utility, in addition to calculating the PCE base rate on an annual basis.

Tariff Review Process

Tariff Revision:

- Entity files a tariff filing.
- Public notice is issued for public comment:
 - 30-day comment period for utilities
 - 21-day comment period for pipelines
 - 20-day comment period for electric reliability organizations
- Review Period:
 - 45 days for utilities
 - 30 days for pipeline carriers
 - 45 days for electric reliability organizations
- Prior to the end of the review period, the Commission will approve, reject, or suspend the filing.

Tariff Suspension into a Docket:

- Suspended for further investigation.
- A commission panel and administrative law judge are assigned.
- May invite participation to intervene, including the Attorney General (Regulatory Affairs and Public Advocacy) and interested parties.
- Hold evidentiary hearings, when applicable.
- Issue a final order (AS 42.05.175):
 - Within 450 days for changes to a revenue requirement or rate design
 - Within 270 days for changes other than a revenue requirement or rate design

Power Cost Equalization (PCE) Program

Under the Power Cost Equalization Program (PCE), the State of Alaska pays a portion of the electric bills for consumers served by utilities participating in the program.

The RCA establishes the PCE amount (cents/KWh) applicable to each utility, regardless if the utility is otherwise subject to RCA's economic regulation.

11 regulated utilities and 78 non-regulated utilities participate in the PCE program, which impacts more than 150 communities.

PCE base rate: AS 42.45.110(c)(2) provides that the Commission will, during each fiscal year, adjust the power costs for which PCE may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau, and subject to the statutory ceiling.

The PCE program is administered by the Alaska Energy Authority (AEA).

Funding of the RCA and RAPA

The Regulatory Cost Charge (RCC) program receipts have been the RCA's main source of funding since 1993.

Beginning in 2005, the RCC program also became the main source of funding for the Department of Law's Regulatory Affairs and Public Advocacy section (RAPA).

The majority of the RCA's budget is directly funded by the RCC.

The RCA receives funds from the Alaska Energy Authority (AEA), through a reimbursable service agreement (RSA), to offset costs of administering the PCE program. The RCA receives no other General Fund support for operations.

Regulated public utilities, telecommunications utilities, and pipeline carriers operating within the state of Alaska are required by statute to pay RCCs.

Regulated public utilities, telecommunications utilities, and pipeline carriers are permitted to recover the RCC from their customers or shippers.

Revisions to the RCC

After the RCA's annual budget is passed by the legislature, the Commission is required to notify the public and each regulated utility, telecommunications utility, and pipeline carrier of the annual RCC amounts.

The RCC is calculated on an annual basis, effective July 1 of each year, based on the formula set out in regulation (3 AAC 47.040), and is established by Commission order.

The Commission issues tariff sheets to regulated utilities and pipeline carriers reflecting the new RCC amount.

Statutory Cap

Current statutes provide the amount that the RCA expects to collect through the RCC from all regulated utilities, certificated telecommunication utilities, and pipeline carriers may not exceed the sum of the following percentages of the total adjusted gross revenue of all regulated public utilities, certificated telecommunication utilities, and pipeline carriers.

- **No more than 0.7 percent to fund operation of the RCA;** and
- **No more than 0.17 percent to fund operations of RAPA.**
- See AS 42.05.254(a), AS 42.06.286(a), and AS 42.08.380(a).

These statutory caps were enacted with Senate Bill 392 and signed into law on June 25, 2004.

The statutory cap sets the ceiling of what the RCA may collect in revenue. The legislature approves the RCA's operating budget and the RCC formula calculates how much of the operating budget is needed to be collected from RCCs. The RCA is unable to collect more in RCCs than what is set as the statutory cap.

Proposed Changes to the Statutory Cap

House Bill 313 proposes to increase the statutory cap to:

- **No more than 0.98 percent to fund operations of the RCA; and**
- **No more than 0.22 percent to fund operations of RAPA.**

Alaska Energy Security Task Force Report

ACTION F-3.1, P. 82 OF REPORT

STRATEGY F-3: Utility Regulation

ACTIONS

- F-3.1** Provide support for the Regulatory Commission of Alaska (RCA) sufficient to improve the RCA's ability to respond timely and appropriately to the complex energy production, generation, and transmission challenges in Alaska.

PROVIDE SUPPORT FOR THE RCA

At this time in Alaska's history, one very tangible way of supporting the RCA would be to provide the resources necessary to fully fund the RCA to recruit, hire, and retain the people needed to execute the critical task of regulating a utility infrastructure buildout and transformation that will affect Alaska for decades to come.

Possible Impacts of an Increase to the Statutory Cap

RCA AND RAPA

As shown on the following slide, the projected budgets for the RCA and RAPA will soon exceed the statutory cap.

Without an increase to the statutory cap, the RCA and RAPA may not be able to collect the amount needed through the RCC to fund operations.

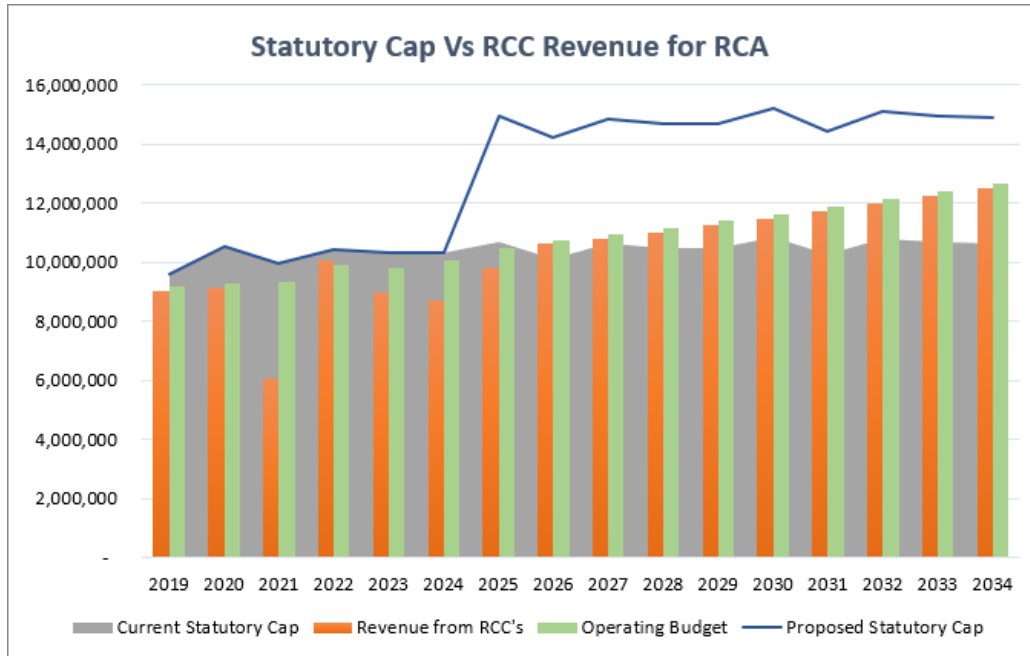
RATEPAYERS

The current RCC for electric utilities is \$0.001028/kWh, which equals approximately \$0.67 on a 650-kWh monthly customer bill.

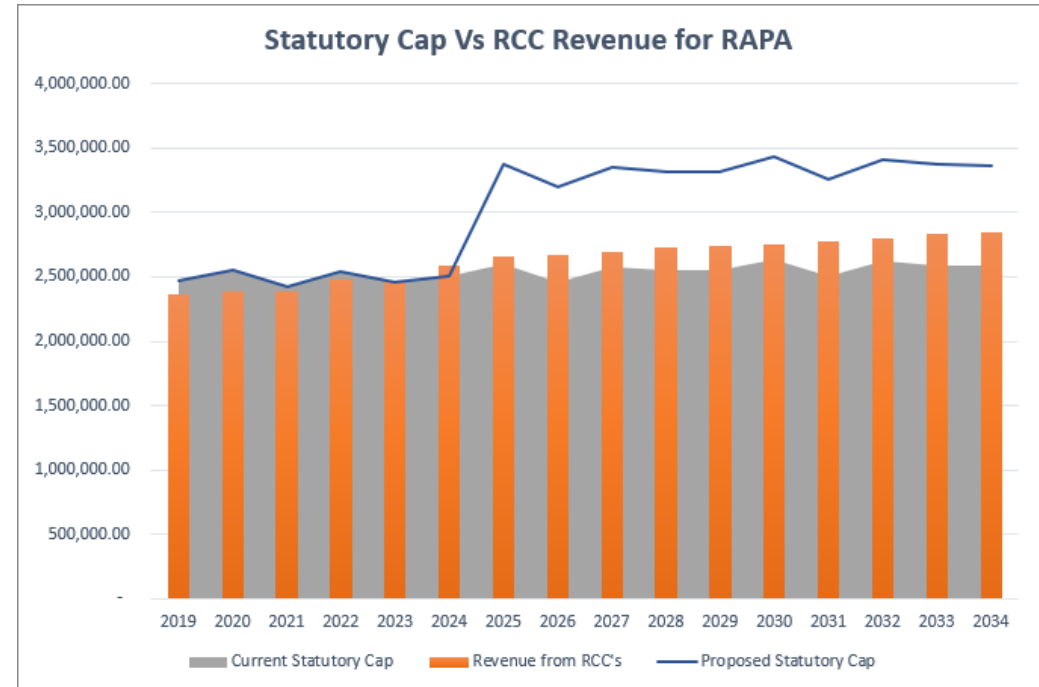
Applying the proposed statutory cap to the current RCC for electric utilities results in an increase to \$0.0014392/kWh, which equals approximately \$0.94 on a 650-kWh monthly customer bill.

Statutory Cap vs. RCC Revenue

RCA



RAPA



Note: The charts above are projections. The projections of the statutory cap are based on a pattern of the last five years. The RCA projected budget and revenues are based on an average increase of 2%. The RCC has multiple variables and future years may be different from those shown.



Questions

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