

# Fiscal Note

State of Alaska  
2024 Legislative Session

Bill Version:	SCS CSHB 307(FIN)
Fiscal Note Number:	5
(S) Publish Date:	5/15/2024

Identifier: HB307CS(FIN)-DCCED-RCA-05-10-24  
 Title: INTEGRATED TRANSMISSION SYSTEMS  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: (H) Rules

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)

	FY2025 Appropriation Requested	Included in Governor's FY2025 Request	Out-Year Cost Estimates				
			FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<b>OPERATING EXPENDITURES</b>	<b>FY 2025</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Personal Services	68.0		68.0	68.0	68.0	68.0	68.0
Travel							
Services	250.0		50.0				
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>318.0</b>	<b>0.0</b>	<b>118.0</b>	<b>68.0</b>	<b>68.0</b>	<b>68.0</b>	<b>68.0</b>

**Fund Source (Operating Only)**

1141 RCA Rcpts (DGF)	318.0		118.0	68.0	68.0	68.0	68.0
<b>Total</b>	<b>318.0</b>	<b>0.0</b>	<b>118.0</b>	<b>68.0</b>	<b>68.0</b>	<b>68.0</b>	<b>68.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

1141 RCA Rcpts (DGF)	98.0		775.0	775.0	775.0	775.0	775.0
<b>Total</b>	<b>98.0</b>	<b>0.0</b>	<b>775.0</b>	<b>775.0</b>	<b>775.0</b>	<b>775.0</b>	<b>775.0</b>

**Estimated SUPPLEMENTAL (FY2024) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2025) 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 If yes, by what date are the regulations to be adopted, amended or repealed? 10/01/26

**Why this fiscal note differs from previous version/comments:**

Updated to reflect changes in the committee substitute, including establishment of the Railbelt Transmission Organization (RTO) in the Alaska Energy Authority (AEA); separation of the Alaska Energy Authority and Alaska Industrial Development and Export Authority boards; update to the statutory cap for the Regulatory Cost Charge (RCC) calculation; and changing the salary range of the Regulatory Commission of Alaska Commissioners.

Prepared By:	Robert A. Doyle, Chair	Phone:	(907)276-6222
Division:	Regulatory Commission of Alaska	Date:	05/08/2024 01:00 PM
Approved By:	Hannah Lager, Administrative Services Director	Date:	05/08/24
Agency:	Commerce, Community, and Economic Development		

REPORTED OUT OF  
SEC 05/15/2024

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2024 LEGISLATIVE SESSION

-

**Analysis**

This bill creates a Railbelt Transmission Organization (RTO) within Alaska Energy Authority (AEA) to establish a transmission cost recovery mechanism for, and to ensure nondiscriminatory open access to, the Railbelt backbone transmission system. Statutory provisions specify a governance structure comprised of representatives of the Railbelt utilities and require the RTO to maintain an open access transmission tariff and adopt a transmission cost recovery methodology, with both the tariff and cost recovery mechanism subject to Regulatory Commission of Alaska (RCA) approval. The RTO is required to submit for RCA approval a transmission cost recovery methodology, but if the organization fails to file the methodology by July 1, 2025, the RCA must establish the transmission cost recovery methodology.

This bill also amends state tax statutes to provide that generation facilities that only provide power to public utilities are not subject to state and local ad valorem, income, and excise taxes. The legislation also addresses AEA board composition, transitioning from a board comprised of Alaska Industrial Development & Export Authority (AIDEA) board members to a separate board with the required board composition specified in statute, along with additional details regarding board members, voting rights, and board vacancies. The powers of the AEA are also expanded to include the acquisition of energy storage facilities.

The RCA and the Department of Law's Regulatory Affairs and Public Advocacy Section (RAPA) are funded by the Regulatory Cost Charge (RCC), a statutorily capped assessment on utility revenues that covers the annual operational costs of the RCA and RAPA. This bill increases the RCC statutory cap from 0.7 to 0.98 percent for the RCA and from 0.17 to 0.22 percent for RAPA. This bill also increases the salaries of RCA Commissioners from range 27 to range 29.

RCA's enabling statutes are amended to (1) include refuse utilities among the entities for which the RCA must develop regulations setting for the adjustment of rates under a simplified rate filing procedure, (2) provide that RCA rate determinations may consider whether the purpose of the rate is to increase diversity of supply, promote load growth, or enhance energy security or reliability, (3) require RCA approval of a wholesale power agreement between a public utility and an independent power producer, with the RCA also required to ensure the agreement's power rate reflect any tax exemptions or government subsidies provided to the utility or independent power producer, and (4) require that costs incurred by cooperative electric utilities served by electric reliability organizations be allowed in rates (if approved by the utilities' board) in connection with new or purchased power from a renewable generation facility with a nameplate capacity of less than 15,000 kilowatts. Statutes governing electric reliability organizations (EROs) are amended to (1) add a requirement that an ERO must prioritize the reliability and stability of the interconnected bulk-electric system it serves while considering cost to the consumer, (2) eliminate requirements that RCA regulations governing EROs must require the ERO's tariff include standards for open access transmission and transmission cost recovery, and (3) provide that the RCA may not require an ERO for an interconnected bulk-electric system if total annual sales for load-serving entities operating in the system are less than 1,500,000 megawatts.

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2024 LEGISLATIVE SESSION

BILL NO. CSHB 307(FIN)

**Analysis**

Upon passage of this bill, the RCA will need to consider developing a regulatory scheme to guide the filing and review of Railbelt Transmission Organization (RTO) filings (i.e., a nondiscriminatory open access transmission tariff and a Railbelt backbone transmission system cost recovery mechanism). The RCA will need to revise regulations governing RCA rate determinations to (1) allow consideration of whether a rate is intended to increase supply diversity, promote load growth, or enhance energy security or reliability, and (2) allow cost recovery through rates for new or purchased power from a renewable generation facility with a capacity of under 15,000 kilowatts if incurred by a cooperative electric utility served by an electric reliability organization and approved by the cooperative’s board. The RCA will also need to revise regulations governing the review process for wholesale power agreements to ensure agreements between public utilities and independent power producers are subject to RCA approval and priced in a way that ensures tax exemptions and government subsidies are factored into the agreement’s power rates. The RCA will need to develop regulations setting out filing requirements, notice, and limits for refuse utilities under the simplified rate filing process. The RCA will also need to revise regulations governing electric reliability organizations to (1) ensure prioritization of the reliability and stability of the interconnected system served by the organization, and (2) eliminate requirements that the organization’s tariff include standards for open access transmission and transmission system cost recovery and retain requirements that the organization’s tariff include standards for non-discriminatory interconnection. If the RTO fails to develop and file a Railbelt backbone transmission cost recovery mechanism by July 1, 2025, the RCA will need to develop the cost recovery mechanism after notice and a public input process.

Passage of this bill will also generate several filings from refuse utilities, Railbelt electric utilities, the electric reliability organization, and the RTO. Railbelt electric utilities will need to file tariffed charges for backbone transmission services based on the backbone transmission cost recovery mechanism developed by the RTO and approved by the RCA. The electric reliability organization will be required to file nondiscriminatory standards for interconnection. The RTO will need to obtain RCA approval of an open access transmission tariff and a backbone transmission cost recovery mechanism, as well as periodic updates to the tariff or cost recovery mechanism. Refuse utilities may file changes to rates under a simplified rate filing process.

If this legislation is adopted, the following expenses will be incurred:

Personal Services	\$68.0	Commissioners range increase from R27 to R29
Contractual Services	\$250.0	Professional services (FY2025 only)
	\$50.0	Professional services (FY2026 only)

*The budgets of the Regulatory Commission of Alaska (RCA) and the Department of Law’s Regulatory Affairs and Public Advocacy Section (RAPA) are funded by the Regulatory Cost Charge (RCC), a statutorily capped assessment on utility revenues that covers the annual operational costs of the RCA and RAPA. This legislation increases the RCC statutory cap from 0.7 to 0.98 percent for the RCA and from 0.17 to 0.22 percent for RAPA. In FY2025 and future years an additional \$98.0 in revenue collections is required to meet the projected baseline budget for RAPA with no change in operations. For purposes of this fiscal note, \$677.0 change in revenues is projected beginning in FY2026. This calculation is based on a five-year average of benefit, health insurance, and salary changes for the Commission’s staff and an average 2% growth in gross operating revenues of Alaska utilities.*