

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Stephen McAlpine, Chairman
Paul F. Lisankie
Robert M. Pickett
Antony Scott
Janis W. Wilson

In the Matter of the Establishment of the Fiscal)
Year 2019 Regulatory Cost Charges for Public)
Utilities)

U-18-034

ORDER NO. 1

In the Matter of the Establishment of the Fiscal)
Year 2019 Regulatory Cost Charge for Pipeline)
Carriers)

P-18-008

ORDER NO. 1

**ORDER ISSUING NOTICE OF PROPOSED REGULATORY COST
CHARGE RATES AND LIST OF UTILITIES AND PIPELINE CARRIERS
SUBJECT TO REGULATORY COST CHARGES, ESTABLISHING
DEADLINES, SCHEDULING PUBLIC HEARING, ADDRESSING
TIMELINE FOR DECISION, DESIGNATING COMMISSION PANEL, AND
APPOINTING ADMINISTRATIVE LAW JUDGE**

BY THE COMMISSION:

Summary

We issue proposed fiscal year (FY) 2019 regulatory cost charge (RCC) rates for regulated public utilities and pipeline carriers in Alaska. We establish deadlines for comments on the proposed RCC rates and for objections to designation as a utility or pipeline carrier obligated to pay RCCs. We schedule a public hearing. We address the timeline for decision in these dockets. The chairman designates the commission panel and appoints an administrative law judge.

Background

Regulated public utilities and pipeline carriers operating in Alaska are required by law to pay an annual RCC.¹ The RCC program receipts have been our principal revenue source since 1993. Beginning in 2005, the RCC program receipts also became the principal revenue source for the Department of Law's Regulatory Affairs & Public Advocacy section (RAPA).

Regulations establishing procedures for calculating and setting the RCC rates for regulated utilities and pipeline carriers are set forth at 3 AAC 47.010 – 3 AAC 47.999. We establish RCC rates annually by order using formulas contained in 3 AAC 47.040.² After this agency's annual budget is passed by the legislature, we are required to notify the public and each regulated utility and pipeline carrier of the RCC rate to be imposed and the basis for that charge.³ The Alaska State Legislature has approved FY2019 operating budgets of \$9,115,200 for this commission and \$2,806,500 for RAPA.⁴

¹AS 42.05.254; AS 42.06.286.

²3 AAC 47.030(a).

³3 AAC 47.030(b).

⁴See CCS HB 286 (Await Transmit Gov).

Discussion

The preliminary RCC rates applicable to revenues subject to RCCs for the regulated utility and pipeline sectors are as follows:⁵

Electric Utilities	\$0.001220/kWh
Natural Gas Utilities	0.417%
Natural Gas Storage	0.530%
Water & Wastewater Utilities	0.568%
Refuse Utilities	1.153%
Local Exchange Telephone Utilities	1.954%
Interexchange Telephone Utilities	2.484%
Private Pay Telephone	8.778%
Pipeline Carriers ⁶	0.701%
Steam Heat Utilities	0.247%

Our RCC computations are shown on Appendix A. The RCC amount for each industry sector is set out in Appendix A and is based on commission labor allocations and the industry revenues subject to RCCs. Appendix A also includes RAPA's estimated costs for each regulated industry sector for FY2018. We will obtain RAPA's certified costs for FY2019 before issuing the final FY2019 RCC order.

⁵Detail of our RCC determinations are contained in Appendices A, B, C, D, E, and F. Appendix G lists the utilities and pipeline carriers required to pay RCCs.

⁶Our preliminary calculation for pipeline carriers includes a direct assignment of 10% of three commissioners' time, 20% of one commissioner's time, and 90% of one commissioner's time.

The table below summarizes utility and pipeline carrier revenues subject to RCCs and the amount of RCC revenues required to fund our FY2019 budget:⁷

Industry Revenues Subject to RCC	\$1,485,204,811
AS 42.05.254(a) and AS 42.06.286(a) statutory cap	0.70% and 0.17%
Maximum Recoverable through RCC	\$11,481,698
FY2019 Operating Budget	\$9,115,200
Total Deductions: Other Source Receipts	\$495,428
Allowable for Uncollectables	\$55,426
Total RCA Requirement from RCC	\$8,675,198

We calculated the preliminary FY2019 RCC rates in accordance with AS 42.05.254 and AS 42.06.286, which require an annual calculation of the maximum RCC percentage. We adjusted RCCs required to fund our approved FY2019 budget by deducting estimated receipts from other sources as required by 3 AAC 47.040, AS 42.05.254, and AS 42.06.286. Our preliminary calculation includes an estimated \$495,428 in revenues from other sources.⁸

We allocated expenditures from FY2018 that are specifically attributed to each industry sector. Our preliminary calculation includes directly-assigned costs of a portion of commissioner time and of legal counsel.⁹ All other commission costs were allocated using direct labor ratios. We developed direct labor ratios using the data

⁷Appendix A. This summary is developed from information provided through annual report filings and responses to commission inquiries.

⁸This estimate is the sum of the following amounts:

- state funding to offset the RCA's cost of establishing power cost equalization rates for non-regulated utilities (\$140,000),
- Other receipts FY2017 \$635,428 (Appendix D).

⁹See note 6, Appendix A line D – *RCA Requirement Directly Assignable – Pipeline*; Appendix E.

1 reported by commission sections tracked from May 1, 2017, through April 30, 2018.¹⁰
2 The total amount to be recovered from RCCs for the commission is estimated to be
3 \$8,675,198. If appropriate, we will update these estimates before the hearing and before
4 issuing the final FY2019 RCC order.

5 Comments on or requested revisions to these preliminary FY2019 RCC rate
6 calculations and objections to designations of utilities or pipeline carriers subject to
7 payment of RCCs must be submitted to us by June 18, 2018. Please file comments at
8 our address located in the left margin of this order or via our website at
9 <https://rca.alaska.gov/RCAWeb/WhatsNew/PublicNoticesComments.aspx>, referencing
10 Dockets U-18-034 and P-18-008. Due to the nature of these proceedings, commenters
11 are not required to serve their comments on the other entities listed on the service list for
12 this order. Copies of comments will be posted on our website at <http://rca.alaska.gov> or
13 may be requested at our regular copying rate.

14 Public Hearing

15 A public hearing will convene at 9:30 a.m., June 20, 2018.

16 Decision Timeline

17 Our regulations provide specific procedural guidelines and timelines for
18 establishing RCC rates. Specifically:

- 19 • We must issue notice of the RCC rate to be imposed and the basis for the rate
20 within thirty days after legislative passage of the agency budget.¹¹

22 ¹⁰Agency sections that track time for purposes of RCC calculations are the
23 Consumer Protection and Information Section, the Common Carrier Section, the
24 Engineering Section, the Finance Section, the Tariff Section, and the Administrative Law
25 Section. Indirect costs and other agency personnel expenses are allocated based on the
26 assumption that the substantive work of these sections is the primary driver of the work
for the rest of the agency employees.

¹¹3 AAC 47.030(b).

- Regulated utilities and pipeline carriers are allowed to comment on RCC rates or object to designation as a regulated utility within thirty days of the issuance of the notice.¹²
- We must hold a hearing to receive comments on RCC rates within sixty days after issuance of the notice.¹³
- We must issue an order establishing final RCC rates within ninety days after issuance of the notice.¹⁴

Commission Panel

The chairman designates Commissioners Paul F. Lisankie, Robert M. Pickett, Antony Scott, and Janis W. Wilson and himself as the commission panel and further designates himself as the commission docket manager.¹⁵

Administrative Law Judge

Under AS 42.04.070(b), the chairman appoints Administrative Law Judge John P. Wood to facilitate conduct in these dockets. The administrative law judge will issue procedural orders in these dockets, unless the commission docket manager determines that a particular procedural order should be issued by the commission panel.¹⁶ Orders issued by the administrative law judge will be considered orders of the commission for purposes of petitions for reconsideration under AS 42.05.171.

¹²3 AAC 47.030(c).

¹³3 AAC 47.030(d).

¹⁴3 AAC 47.030(e).

¹⁵Under AS 42.04.080(a), the chairman designates a commission panel to hear, or, if a hearing is not required, to otherwise consider and decide docketed matters.

¹⁶The commission docket manager, after consultation with other members of the panel, may delegate to the administrative law judge whatever authority to issue procedural orders he or she considers necessary or advisable in these dockets.

ORDER

THE COMMISSION FURTHER ORDERS:

1. By June 18, 2018, interested persons may file written comments on the proposed regulatory cost charge rates set out in this order.

2. By June 18, 2018, an affected utility or pipeline carrier may file an objection to designation as an entity subject to payment of regulatory cost charges.

3. A public hearing is scheduled to convene at 9:30 a.m., June 20, 2018, in the East Hearing Room of the Regulatory Commission of Alaska, 701 West Eighth Avenue, Suite 300, Anchorage, Alaska.¹⁷

4. Commissioners Stephen McAlpine, Paul F. Lisankie, Robert M. Pickett, Antony Scott, and Janis W. Wilson are designated as the commission panel.

¹⁷If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format to participate in the scheduled event, please contact Valerie Fletcher-Mitchell at 1-907-276-6222, toll free at 1-800-390-2782, or TTY/Alaska Relay at 7-1-1 or 1-800-770-8973, or send your request by electronic mail to rca.mail@alaska.gov at least three business days before the scheduled event to make the necessary arrangements.

Any party wishing to appear telephonically at the scheduled event must advise us in advance and provide a telephone number where it may be reached for that appearance.

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5. Commissioner Stephen McAlpine is designated as the commission
docket manager.

6. John P. Wood is appointed to serve as administrative law judge.

DATED AND EFFECTIVE at Anchorage, Alaska, this 18th day of May, 2018.

BY DIRECTION OF THE COMMISSION

