

**HOUSE BILL NO. 307**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/2/24

Referred: Finance

**A BILL**

**FOR AN ACT ENTITLED**

1   **"An Act relating to the taxation of independent power producers; and increasing the**  
2   **efficiency of integrated transmission system charges and use for the benefit of**  
3   **ratepayers."**

4   **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5       **\* Section 1.** The uncoded law of the State of Alaska is amended by adding a new section  
6   to read:

7           PURPOSE. The purpose of this Act is to eliminate the charging of inefficient  
8   transmission rates for integrated transmission systems that are also subject to the integrated  
9   resource planning process of an electric reliability organization.

10       **\* Sec. 2.** AS 10.25.540(b) is amended to read:

11               (b) Before March 1 of each year,

12                       (1) each telephone cooperative shall pay to the state, instead of state  
13           and local ad valorem, income, and excise taxes that may be assessed or levied, a  
14           percentage of its gross revenue earned during the preceding calendar year;

(2) each electric cooperative **and independent power producer** shall pay to the state, instead of state and local ad valorem, income, and excise taxes that may be assessed or levied, a tax on the number of kilowatt hours of electricity sold at retail by the cooperative **or independent power producer** during the preceding calendar year; **for the purposes of this paragraph, "independent power producer" means a utility that only sells wholesale power to cooperative or municipal utilities.**

\* **Sec. 3.** AS 42.05 is amended by adding new sections to read:

**Article 11A. Integrated Transmission System Cost Recovery.**

**Sec. 42.05.900. Findings.** The legislature finds that, for an integrated transmission system that is subject to the integrated resources planning process of an electric reliability organization,

(1) the elimination of per-unit wholesale transmission charges will increase the efficiency by which electricity service is provided;

(2) the elimination of multiple pancaked rates is essential to the people of the state; and

(3) the actual, reasonable costs to own and operate an integrated transmission system should be fairly recovered from the load-serving entities connected to the integrated transmission system.

**Sec. 42.05.905. Integrated transmission system cost recovery.** (a) The commission shall establish a transmission cost recovery mechanism to ensure that the actual, reasonable costs of owning and operating an integrated transmission system are recovered to achieve the findings stated in AS 42.05.900. The transmission cost recovery mechanism must take into account each load-serving entity's load in comparison to the total load on the integrated transmission system.

(b) The commission shall develop a process to gradually transition the collection of transmission costs recovered through a load-serving entity's base rates and wheeling charges to tariffs that reflect the transmission cost recovery mechanism.

**Sec. 42.05.910. Integrated transmission system association.** (a) The commission shall require all utilities that own or operate a portion of an integrated transmission system and are subject to an electric reliability organization to form an

1 integrated transmission system association to assist in administering the system of  
2 transmission cost recovery. The commission shall require the association to file tariffs  
3 to achieve the purposes of AS 42.05.900 - 42.05.915.

4 (b) The integrated transmission system association may not own assets of the  
5 integrated transmission system.

6 (c) Notwithstanding (b) of this section, the integrated transmission system  
7 association is a public utility.

8 **Sec. 42.05.915. Definitions.** In AS 42.05.900 - 42.05.915,

9 (1) "electric reliability organization" has the meaning given in  
10 AS 42.05.790;

11 (2) "integrated transmission system" means the non-generation assets  
12 of an interconnected electric energy transmission network; a radial transmission line  
13 constructed after the effective date of AS 42.05.900 - 42.05.915 for the purpose of  
14 connecting a single generation asset to the interconnected electric energy transmission  
15 network to effectuate contractual sales of energy to load serving entities is part of the  
16 integrated transmission system only if the commission determines that the line is  
17 economically necessary to enable the establishment of multiple new generation assets;

18 (3) "load-serving entity" has the meaning given in AS 42.05.790;

19 (4) "transmission costs" include the costs to own and operate the  
20 integrated transmission system, as established by the commission or by contract,  
21 including costs associated with the Bradley Lake hydroelectric project.