

Railbelt Reliability Council
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<https://alaskapower.org/rrc/>

October 10, 2022

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, AK 99501

**Re: EB1-9001
RRC 2023 Budget Filing**

Dear Commissioners,

Pursuant to Order E-22-001(12) and 3 AAC 46.160(b), the Railbelt Reliability Council (RRC) hereby submits the RRC's fiscal and calendar year 2023 budget ("RRC 2023 Budget") to the Regulatory Commission of Alaska ("Commission"). In compliance with 3 AAC 46.160(d), the RRC has posted public notice of the proposed budget and this filing in support of the proposed budget on the RRC's website at <https://alaskapower.org/rrc/> and requested public comment no later than November 14, 2022.

The RRC 2023 Budget is attached hereto as Attachment A. The budget is described in further detail below.

1. Narrative Description and Explanation of Proposed Budget (3 AAC 46.160(c)(1))

The RRC 2023 Budget is based on an estimated date of approval of the RRC's initial tariff of May 31, 2023. Based on this estimated tariff approval date, the RRC anticipates that the majority of its fiscal year 2023 budget will be dedicated to retaining a CEO and staff and other administrative costs required to establish a functioning electric reliability organization (ERO) that complies with the RRC's bylaws, rules, and policies and satisfies the requirements of the ERO statutes and regulations. The RRC 2023 Budget includes the following administrative costs (with accounting codes and descriptions):

- **Staff (901.00.5.00.0000 - SALARIES - GENERAL & ADMINISTRATIVE):**
 - **Chief Executive Officer (row 5):** the 2023 CEO salary is based on the average of the 10 largest Alaska electric co-op CEO salaries in 2021,

multiplied by 8% to adjust for inflation. The 2023 staffing level of 25% is based on an anticipated hire date of 10/1/23, assuming a three-month search and hiring process. The Fully Loaded Cost includes benefits and retirement.

- **Executive Assistant, Records Manager (rows 6-7):** the 2023 salary figures for the executive assistant and records manager positions are based on 2021 salary survey data from Chugach Electric Association (CEA) and Matanuska Electric Authority (MEA), multiplied by 8% to adjust for inflation. The Fully Loaded Cost includes benefits and retirement. The executive assistant will support the CEO. The records manager will manage RRC records as contract support for records management is phased out in Q4 2023.
- **Director Meeting Fees (901.10.5.00.0000 - DIRECTOR / ALTERNATE MEETING STIPENDS - GENERAL & ADMINISTRATIVE):**
 - **Board Meeting Fees, Board Education Meeting Fees, Board Attendance at SME Presentations, Board Attendance at Committee Meetings (lines 9-12):** the 2023 cost for director meetings is based on the 2021 average cost for Railbelt co-op director fees with an 8% adjustment for inflation. The budget at lines 9-12 separately accounts for anticipated regular Board meetings (one per month x 7 months following tariff approval); two 7-day board education sessions; board attendance at 10 SME presentations; and four Board committee meetings per month with five members per committee; and an estimated 50% of committee members not accepting fees. Directors appointed by the Railbelt utilities have declined to accept Board Meeting Fees. Board meetings are currently occurring monthly. Board Committee meetings are currently averaging eight per month per director (one committee meeting per week, two committees per Director).
- **Contract Services**
 - **Contract Regulatory Affairs (line 14) (923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE):** this is the budgeted amount for a regulatory contractor to support RCA filings in 2023 as needed. The 2023 Unit Cost was based on an estimate provided by the RRC's current regulatory affairs consultant, ERE. The RRC is developing a formal procurement process that it anticipates adopting in early 2023 for procurement of future contract services.
 - **Legal Support for Regulatory Affairs (line 15) (923.82.5.00.0000 - GENERAL LEGAL EXPENSE - GENERAL & ADMINISTRATIVE):** this is the budgeted amount for legal support for post-tariff RCA filings based on an average hourly rate of \$400 and an estimated 45 hours of work.

- **Insurance (line 16)** (924.76.5.00.0000 - BUSINESS LIABILITY INSURANCE - GENERAL & ADMINISTRATIVE): the 2023 cost for insurance for the organization, including loss of business, liability, D&O, E&O Harassment, and Cyber coverage, is based on recent expenses incurred by employers of RRC Directors.
- **Contract HR & Accounting (line 17)** (923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE): the 2023 cost for HR, payroll services, employment tax preparation, and start-up costs for HR and employee policies, which the RRC plans to provide through a third-party contracting firm, is based on recent expenses incurred by employers of RRC Directors.
- **Recruitment Services (line 18)** (923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE): the 2023 cost for an executive search firm to assist in retention of a CEO is 25% of the CEO's proposed 2023 annual salary based on recent executive search experience by employers of RRC Directors.
- **Contract Administrative Support (lines 19, 20)** (923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE): the 2023 cost for contract administrative support for board meetings and other RRC actions is based on the billing rate charged by the RRC's current administrative support contractor (Sapere) and anticipated meeting frequency of the RRC.
- **Language Access Vendor (line 21)** (923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE): the 2023 cost for language access support for RRC Board meetings is based on an estimate provided by AKPIRG for such services of \$90 per meeting.
- **Contract Legal - General (line 22)** (923.82.5.00.0000 - GENERAL LEGAL EXPENSE - GENERAL & ADMINISTRATIVE): the 2023 cost for legal support to the RRC for board and committee meetings, regulatory support, and other legal support as the RRC conducts hiring and begins operations is based on an average hourly rate of \$400 and estimated 30 hours of work per month.
- **Board Training Admin. Expenses (line 23)** (934.70.5.00.0000 - TRAVEL / EDUCATION - GENERAL & ADMINISTRATIVE): the 2023 cost for travel, registration, and per diem associated with board training is based on 2022 estimated costs of \$1,000 in estimated travel, a \$150 per diem, and a \$630 daily course fee for two 7-day board trainings for 13 directors in 2023 adjusted for 8% inflation. The RRC will endeavor to host in-state trainings when possible but anticipates that Directors may need to travel two times

per year for training out of state. These trainings are intended to ensure that Directors are fully educated on the duties and functions of the RRC so that they can comply with their fiduciary duties.

- **Website Revisions (line 25)** (921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE): the one-time 2023 cost for website revisions to the RRC website to ensure compliance with RRC rules and ERO statutes and regulations is based on recent experience of RRC Directors for website revisions.
- **Website Maintenance (line 26)** (921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE): the monthly cost for RRC website maintenance is based on the estimate provided by the RRC's current IT contractor (Sapere) for website maintenance.
- **Office Costs:**
 - **Office Rent (line 29)** (931.59.5.00.0000 - RENTS - GENERAL & ADMINISTRATIVE): the 2023 cost for office rent is based on an average 2022 cost for Class A office space of \$11,250 per month ($\$30/\text{ft}^2 \times 4,500\text{ft}^2$) adjusted for 8% inflation. Class A office space was selected to ensure that the RRC office is ADA compliant. The monthly rental fee includes all utilities, which are included with Class A office space rent. The RRC anticipates needing office space beginning October 1, 2023, which is the target start date for the RRC CEO.
 - **Tenant Improvements (line 30)** (391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT): the one-time 2023 cost for tenant improvements to the RRC office space, including IT wiring, any necessary renovations, sound proofing, board room furniture, and any other expenses required to facilitate RRC operations and board meetings, is based on recent expenditures for office renovations by employers of RRC Directors.
 - **Internet (line 31)** (921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE): the monthly 2023 cost for internet, including phone and video conferencing, to operate and ensure public access to the RRC's records and meetings is based on monthly internet expenses incurred by employers of RRC Directors. Internet expenses will begin October 1, 2023 when the RRC anticipates opening its office.
 - **Servers & Network Setup (line 32)** (391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT): the one-time 2023 cost for servers and network setup of \$12,000 per server for four servers plus a \$6,000 setup fee,

adjusted for 8% inflation, is based on recent expenditures by employers of RRC Directors.

- **Offsite Backup (line 33)** (921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE): the monthly 2023 cost for offsite backup for RRC data is based on the 2022 expenditure for offsite backup by an RRC Director's employer. The RRC anticipates offsite backup beginning October 1, 2023.
- **Computers, Software, Printers/Scanners (line 34)** (391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT): the 2023 cost for computers, software, and printer/scanners is based on average pricing for business laptops, accounting and engineering software, and printers/scanners that the RRC plans to utilize, which was derived from data provided by RRC Directors regarding recent expenditures by their employers.
- **Office Furniture (line 35)** (391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT): the 2023 one-time cost per employee for office furniture, including ergonomic desks, chairs, and shelving is based on recent office equipment cost data collected by MEA.
- **10% Contingency (line 38)**: The RRC is hopeful that the estimated budget accurately captures all costs that will be incurred by the RRC in 2023 but recognizes that there may be unanticipated costs and unanticipated cost increases. Because the RRC has no margins, profits, or ability to absorb expenses that are not covered by its surcharge, cannot issue stocks to raise capital, and is unlikely to have assets sufficient to secure funds through borrowing, the RRC included a 10% budget contingency that will only be used if needed and will be accounted for through the RRC balancing account.

As noted above, the RRC 2023 Budget is based on an estimated tariff approval date of May 31, 2023. Based on the RRC's anticipated timeline for retaining a CEO and staff following this estimated tariff approval date, the RRC does not anticipate beginning development of standards and IRPs until the start of 2024. The RRC 2023 Budget therefore does not include any costs for developing standards or integrated resource planning, which the RRC anticipates will begin in Q1 2024 if the RRC's tariff is approved in Q2 2023.

2. Schedule and Explanation of Each Account and Subaccount that has Increased or Decreased by More than 10 Percent from the Previous 12-Month Period (3 AAC 46.160(c)(2))

The requirement of 3 AAC 46.160(b)(2)—to provide a schedule and explanation of each account and subaccount that has increased or decreased by more than 10 percent from the previous 12-month period—does not apply to this initial budget filing.

3. Other Information to Support the Budget (3 AAC 46.160(c)(3))

The RRC Board of Directors prepared an initial budget in support of the RRC's Petition to Make the Tariff and Surcharge Effective Upon Certification, which was filed concurrently with the RRC's Application for Certification as an ERO. Upon receipt of the Commission's September 23, 2022 Order E-21-001(12), the RRC Board Finance and Audit Committee reviewed and made significant revisions to the 2023 budget.

As explained above, the Finance and Audit Committee collected information to support the estimated costs in the RRC 2023 Budget to the greatest extent possible with limited time and resources. The RRC Board recognizes, however, that there may be unanticipated costs that the RRC 2023 Budget does not account for, and that actual costs may be different than estimated costs. In order to address this uncertainty in light of the fact that the RRC does not have any margins, profits, or ability to absorb expenses that are not covered by its surcharge, the RRC 2023 Budget includes a 10% contingency. If an unexpected expense arises, the RRC would be required to divert monies needed to cover other operating expenses until the RRC could make an emergency filing with the Commission to change the surcharge to reflect the impact of the unexpected expense. The 10 percent contingency will provide funds to cover some unexpected expenses and will reduce the need for emergency filings to adjust the surcharge for each unexpected expense. This contingency will only be used if needed and will be accounted for through the RRC's balancing account to ensure complete transparency in RRC spending.

Finally, the RRC plans to continue to fund the RRC in the manner through which it funded the work of the RRC Implementation Committee until the RRC's tariff and initial surcharge are approved by the Commission.

The RRC appreciates this opportunity to provide an explanation of its proposed 2023 budget.

Respectfully Submitted,

Railbelt Reliability Council

A handwritten signature in black ink, appearing to read 'Julie Estey', is written over a horizontal line.

Julie Estey
Chair, Railbelt Reliability Council Board of Directors
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Email: julie.estey@mea.coop

Attachments: Attachment A - RRC 2023 Budget

PROOF OF PUBLICATION

I hereby certify that on October 10, 2022, the following public notice was published on the RRC's website at <https://alaskapower.org/rrc/> in compliance with 3 AAC 46.160(d).

/s/ Breanne Jones

Breanne Jones
Perkins Coie LLP

PUBLIC NOTICE OF SUBMISSION OF PROPOSED 2023 BUDGET BY THE RAILBELT RELIABILITY COUNCIL TO THE RCA

On October 10, 2022, the Railbelt Reliability Council (RRC) filed with the Regulatory Commission of Alaska (RCA) its proposed 2023 budget, available at the link below. A copy of the proposed budget filing, which provides additional explanation regarding the proposed budget, is available for review on the RRC's website at <https://alaskapower.org/rrc/>, and will be available on the RCA's website, <http://rca.alaska.gov/RCAWeb/home.aspx>, once posted by the Commission.

Any person may file written comments on the Proposed 2023 budget with the RCA, 701 West Eighth Avenue, Suite 300, Anchorage, AK 99501, <http://rca.alaska.gov/RCAWeb/home.aspx>. To assure the RRC has sufficient time to consider the comments before RRC surcharge filing is made, the RRC requests that your comments be filed with the RCA no later than **Monday, November 14, 2022**.

RRC Budget Subcommittee 2021 Budget Estimate

Position	Anticipated Start Date	Comments	2021 Salary	2023 Salary	Indirect Labor Costs	Fully Loaded Cost per FTE	2023 Equivalent	2023 Cost	Accounting Code / Description	Explanation
Chief Executive Officer	10/1/2023	CEO search initiated after tariff approval	\$ 296,900	\$320,652	1.6	\$513,043	0.25	\$ 128,261	901.00.5.00.0000 - SALARIES - GENERAL & ADMINISTRATIVE	Average of 10 largest Alaska Electric Co-op CEO 2021 Salaries
Executive Assistant	11/1/2023	Hired by CEO	\$ 96,642	\$104,373	1.6	\$166,997	0.17	\$ 28,389	901.00.5.00.0000 - SALARIES - GENERAL & ADMINISTRATIVE	CEA HR report of salary range, confirmed by MEA.
Records Manager	11/1/2023	Staff replacement for contractor support on public notices, managing public comments, RRC records	\$ 70,000	\$75,600	1.6	\$120,960	0.17	\$ 20,563	901.00.5.00.0000 - SALARIES - GENERAL & ADMINISTRATIVE	CEA HR report of salary range confirmed by MEA.
Director Meeting Fees	Cost Per Meeting	Comments	2021 Cost	2023 Cost	# of Directors/Alts	Subtotal	# of Mtgs	2023 Cost	Accounting Code / Description	Explanation
Board meetings - Meeting fees	\$383/meeting	One RRC meeting/month, Primary or Alternate	\$ 383	\$414	7	\$2,895	7	\$ 20,268	901.10.5.00.0000 - DIRECTOR / ALTERNATE MEETING STIPENDS - GENERAL & ADMINISTRATIVE	Estimated 7 of 13 Directors will take a meeting fee, 7 monthly RRC meetings post-tariff
Meeting fees during Board education	\$383/meeting	Two 7-day training sessions	\$ 383	\$414	14	\$5,791	14	\$ 81,073	901.10.5.00.0000 - DIRECTOR / ALTERNATE MEETING STIPENDS - GENERAL & ADMINISTRATIVE	\$383 = average of Railbelt co-op 2021 director fees with 8% adjustment for inflation
Board Attendance at SME Presentations	\$383/meeting	10 days / year	\$ 383	\$414	14	\$5,791	10	\$ 57,910	901.10.5.00.0000 - DIRECTOR / ALTERNATE MEETING STIPENDS - GENERAL & ADMINISTRATIVE	Directors and Alternates to attend educational meetings and trainings
Board Attendance at Committee Meetings	\$383/meeting	4 Comm. x 5 Member x bimonthly x 50% taking fees	\$ 383	\$414	10	\$4,136	14	\$ 57,910	901.10.5.00.0000 - DIRECTOR / ALTERNATE MEETING STIPENDS - GENERAL & ADMINISTRATIVE	4 Committees x 5 members/comm x bimonthly x 50% requesting fees = 10.
Contract Services	Duties/Description	Comments	2022 Cost Basis	2023 Cost	Quantity or Months	Subtotal	Frequency	2023 Cost	Accounting Code / Description	Explanation
Contract Regulatory Affairs	Support and preparation of RCA and IRS filings			\$22,176	1	\$22,176	1	\$ 22,176	923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE	Proposal from ERE for post-tariff 2023 filings
Attorney Support for Regulatory Affairs	Legal support for post-tariff RCA filings			\$20,000	1	\$20,000	1	\$ 18,000	923.82.5.00.0000 - GENERAL LEGAL EXPENSE - GENERAL & ADMINISTRATIVE	Estimated 45 hours at \$400/hr
Insurance	Director & Officer, E&O Harrassment, Cyber, Liability, Loss of business location			\$65,000	1	\$65,000	1	\$ 65,000	924.76.5.00.0000 - BUSINESS LIABILITY INSURANCE - GENERAL & ADMINISTRATIVE	Estimate based on recent expenses incurred by employers of RRC Directors
Contract HR & Accounting	Payroll, employment tax preparation, start-up HR policies		\$ 10,000	\$10,800	1	\$10,800	1	\$ 10,800	923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE	Estimate based on recent expenses incurred by employers of RRC Directors
Recruitment Services	Search for CEO	Fee is 25% of annualized CEO salary	\$ 74,225	\$80,163	1	\$80,163	1	\$ 80,163	923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE	Estimate based on recent expenses incurred by employers of RRC Directors
Contract Administrative Support (June -Oct. 2023)	5 months, post-tariff, pre-staff	Based on current expenses; assumes 5 months of full admin support following tariff approval	\$ 38,430	\$41,504	5	\$207,522	1	\$ 207,522	923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE	\$38,430 pre-staff (5 months) based on more active 2022 months (Jan, Feb, Mar, Aug and Sep 2022) to reflect more numerous and frequency committee meetings and increased public notice and interface requirements.
Contract Administrative Support (Nov. - Dec. 2023)	2 months, reduced 50% after admin staff hired	Work shifts to RRC hired staff in month 6 and 7 following tariff approval	\$ 19,215	\$20,752	2	\$41,504	1	\$ 41,504	923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE	\$19,215 with-staff (2 months) based on more active 2022 months (Jan, Feb, Mar, Aug and Sep 2022) to reflect more numerous and frequency committee meetings and increased public notice and interface requirements.
Language Access Vendor		Annual cost of \$1,000	\$ 83	\$90	7	\$627	1	\$ 627	923.52.5.00.0000 - CONSULTANCY EXPENSE - GENERAL & ADMINISTRATIVE	Estimate from AKPIRG of \$1000 annually
Contract Legal - General	Monthly BOD, weekly ExCom mtgs, committee support as needed, general RRC support	30 hours per month @ 400/hour	\$ 12,000	\$12,960	7	\$90,720	1	\$ 90,720	923.82.5.00.0000 - GENERAL LEGAL EXPENSE - GENERAL & ADMINISTRATIVE	General corporate and regulatory legal support at average rate of \$400/hour x 30 hours per month
Board Training Admin Expenses	Two 7-day training sessions/Director x 13 Directors	travel, registration, and per diem per person	\$ 5,050	\$5,454	1	\$5,454	26	\$ 141,804	934.70.5.00.0000 - TRAVEL / EDUCATION - GENERAL & ADMINISTRATIVE	\$1000 RT travel + 6x \$150 per diem + 5 x \$630 daily course fee (NRECA 2022 rate)
Website Revisions	Records Viewing, Research, Confidentiality	presumes existing website pre-tariff	\$ 15,000	\$16,200	1	\$16,200	1	\$ 16,200	921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE	Based on recent RRC Director experience
Website Maintenance	Ongoing website maintenance	monthly fee	\$ 2,893	\$3,124	7	\$21,871	1	\$ 21,871	921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE	Sapere proposal for web maintenance
Sub Total								\$ 1,110,762		

Office Costs	Description	Frequency	2022 Unit cost	2023 Cost	Quantity or Months	Subtotal	Quantity	2023 Cost	Accounting Code / Description	Explanation
Office Rent	Class A office space/conference room & utilities	per month	\$ 11,250	\$ 12,150	3	\$36,450	1	\$ 36,450	931.59.5.00.0000 - RENTS - GENERAL & ADMINISTRATIVE	\$30/sf annually for A, \$24 for B, 4500 sf for conference room and offices. Basis: web survey for space in ANC.
Tenant improvements	IT wiring, renovations, sound proofing, board room furniture, etc.	one-time	\$ 80,000	\$ 86,400	1	\$86,400	1	\$ 86,400	391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT	Estimate based on data provided by RRC Directors regarding recent office renovations.
Internet	Internet (including phones, video conferencing)	per month	\$ 2,640	\$ 2,851	3	\$8,554	1	\$ 8,554	921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE	Estimate based on recent expenses incurred by employers of RRC Directors
Servers & Network Setup	4 servers + \$6k setup each server	one-time	\$ 56,000	\$ 60,480	1	\$60,480	1	\$ 60,480	391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT	Based on 2022 expenditures by employer of RRC Director of 12k x 4 +\$6k set-up
Offsite Backup	Backup for all RRC data	per month	\$ 8,000	\$ 8,640	6	\$51,840	1	\$ 51,840	921.86.5.00.0000 - OFFICE SUPPLIES AND EXPENSES - GENERAL & ADMINISTRATIVE	Based on 2022 expenditures by employer of RRC Director beginning July 1, 2023
Computers, Software, Printers/Scanners	Laptop, 2 more screens, plus software	one-time, per employee	\$ 14,000	\$ 15,120	3	\$45,360	1	\$ 45,360	391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT	\$12k on computer and software plus \$2k printer
Office Furniture	Ergometric desk, chair, shelving - per employee	one-time, per employee	\$ 7,500	\$ 8,100	3	\$24,300	1	\$ 24,300	391.00.0.00.0000 - OFFICE FURNITURE AND EQUIPMENT	Based on responses to MEA RFP for sit-stand desk, chair, and book shelf at \$7500 per office w/ install

Above categories for fiscal / calender 2023:								\$1,424,146		
								\$142,415		
								Total for Fiscal Year 2023:		\$1,566,561

Inflation Rate	8%
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