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November 23, 2022

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

Re: Tariff Letter TE1-9001

Dear Commissioners,

The Railbelt Reliability Council (RRC) hereby submits its proposed tariff, initial annual surcharge, and modified proposed budget for fiscal year 2023 for approval by the Regulatory Commission of Alaska (“Commission”) in compliance with 3 AAC 46.330, 3 AAC 46.430, and 3 AAC 46.160(e), and as required by Order E-22-001(12).¹

The RRC previously submitted its proposed tariff and initial annual surcharge with the RRC’s Application for Certification as an ERO (Docket E-22-001). Consistent with the ruling in Order E-22-001(12), the RRC is filing its proposed tariff and initial surcharge as a new tariff filing.² The proposed tariff, including the initial annual surcharge, is attached hereto as Exhibit A.

The RRC’s proposed budget was submitted to the Commission as an informational filing, EB1-9001,³ on October 10, 2022 pursuant to 3 AAC 46.160 and Order E-22-001(12). Pursuant to 3 AAC 46.160(e), the RRC is submitting a modified proposed budget for fiscal year 2023 (“Proposed 2023 Budget”) that reflects revised cost estimates and changes made in response to comments received regarding the budget submitted with EB1-9001. The Proposed 2023 Budget is attached hereto as Exhibit B. A resolution passed by the RRC Board of Directors authorizing the Proposed 2023 Budget is attached hereto as Exhibit C, as required by 3 AAC 46.430(a)(1). All public documents that support the Proposed 2023 Budget are now available on the RRC’s website

¹ Order E-22-001(12), *Order Approving Application for Certificate to Be an Electric Reliability Organization, Requiring Filings and Providing Guidance for Future Filings, and Closing Docket*, September 23, 2022.

² *Id.* at 18-20.

³ The Commission suspended EB1-9001 for investigation into Docket E-22-002 on November 17, 2022. The RRC plans to file the modified 2023 budget attached hereto in that docket unless otherwise directed by the Commission. In order to ensure that the RRC’s tariff and initial annual surcharge are effective by June 1, 2023, the RRC respectfully requests that, if the tariff is suspended for investigation, the Commission address the tariff, initial annual surcharge, and 2023 budget within the 180-day statutory timeframe provided by 3 AAC 46.390(d) for investigation of a tariff filing.

at www.AKRRC.org.⁴ All modifications made to the budget filed as EB1-9001 are described below, as required by 3 AAC 46.160(e).

Below is an explanation of the proposed tariff, initial annual surcharge, and Proposed 2023 Budget.

1. RRC Proposed Tariff

a. Summary of Tariff & Stakeholder Process Leading to Development of Proposed Tariff

The tariff is the means by which the RRC, as the certificated Electric Reliability Organization (ERO) for the Railbelt Bulk Electric System, will provide regulated services, including developing reliability standards and standards for open access transmission and interconnection, Railbelt integrated resource planning, and cost recovery for additions and modifications to meet Railbelt system requirements.

The proposed tariff includes the following:

- General arrangement and content as required under 3 AAC 46.360(a)(1-6);
- Additional requirements as specified at 3 AAC 46.360(c) and (d);
- Symbols as specified at 3 AAC 46.360(e) with regard to the initial annual surcharge;
- Structural arrangements as specified under 3 AAC 46.360(h) for the filing of 3 AAC 46.360(a)(7) standards in the future;
- An initial annual surcharge to meet the intent of 3 AAC 46.430;
- Terms, conditions, and schedules to provide for open access transmission and interconnection in accordance with 3 AAC 46.440; and
- Terms, conditions, and a schedule to provide for transmission cost recovery under 3 AAC 46.450.

Significant effort was made to develop a comprehensive initial tariff that will enable the RRC to provide ERO services consistent with the ERO statutes and regulations. The tariff was drafted by a committee of RRC Board members representing several Railbelt stakeholder groups with the assistance of a regulatory consultant and valuable input from Commission staff. The tariff supports

⁴ These documents address parts A and B of the public comments submitted in response to EB1-9001 by RAPA. RAPA also requested in Part D of this comments that the Commission request verification that the RRC notified all Registered Entities of the budget and location of supporting documents. There are currently no Registered Entities to notify. As defined in the RRC's tariff, Registered Entities are Users, Owners, and Operators that are registered with the RRC and subject to reliability standards approved by the RRC and RCA. Registered Entities will therefore be identified and registered as RRC standards are developed. As indicated in EB1-9001, the RRC did provide public notice of EB1-9001 on its website.

the unique characteristics of an ERO by providing for initiation of RRC services, funding the RRC’s inception year through a levied surcharge, and accommodating the sequential addition of tariff content over time. The proposed tariff can go into effect while the RRC develops reliability and other standards to submit to the Commission for approval. Each standard, or group of standards, will, upon development and approval by the RRC pursuant to the RRC’s Rules, be filed as a new or revised tariff provision in accordance with 3 AAC 46.320, 3 AAC 46.410, and 3 AAC 46.440.

b. Summary of How Proposed Tariff is Just, Reasonable, and Not Unduly Discriminatory or Preferential, and in the Public Interest

The tariff is just, reasonable, not unduly discriminatory or preferential, and in the public interest. It was prepared to comply with the relevant regulations at 3 AAC 46.360 based on input from representatives of the stakeholders to which the tariff will apply to ensure that the tariff is not unduly discriminatory or preferential to any entity. The tariff is in the public interest as it will allow the RRC to undertake the obligations of the Railbelt ERO, including to develop and enforce reliability standards and establish terms and conditions for the provision of open access transmission and interconnection to the Railbelt system. As recognized by the Alaska state legislature when it passed the ERO statute, the services provided by the Railbelt ERO are in the public interest and will ultimately result in benefits to customers of the Railbelt load serving entities (“LSEs”).

2. Initial Surcharge

The RRC’s initial surcharge is included in the proposed tariff at Tariff Sheet 25 - Schedule of RRC Surcharge. Calculation of the proposed surcharge and allocation to each LSE was done through the cost allocation methodology provided in the RRC’s Equitable Allocation of Costs Rule (ER13).

The surcharge calculation in accordance with Rule ER13 is provided as follows:

Surcharge Calculation in accordance with Equitable Allocation of Costs Rule (ER13)

Load Serving Entity	Net Energy for Load (kWh)		Budget Year	LSE Surcharge	
	2021	Percent	FY 2023	Annual	Monthly
Chugach	1,922,933,572	43.71%	655,423.63	655,423.63	54,618.64
GVEA	1,196,393,632	27.20%	407,785.62	407,785.62	33,982.13
HEA	461,432,441	10.49%	157,277.26	157,277.26	13,106.44
MEA	758,772,477	17.25%	258,624.33	258,624.33	21,552.03
SES	59,628,617	1.36%	20,324.16	20,324.16	1,693.68
	4,399,160,739	100.00%	1,499,435.00	1,499,435.00	124,952.92

Consequently, the RRC’s proposed entry on Sheet 25 of the proposed tariff is shown as follows:

Railbelt Reliability Council Annual Surcharge

Loadrserving Entity	Annual Surcharge \$	Invoice \$/mo.	Purpose or Effect
Chugach Electric Association, Inc. (CEA)	655,423.63	54,618.64	N
Golden Valley Electric Association, Inc. (GVEA)	407,785.62	33,982.13	N
Homer Electric Association, Inc. (HEA)	157,277.26	13,106.44	N
Matanuska Electric Association, Inc. (MEA)	258,624.33	21,552.03	N
City of Seward, dba Seward Electric System (SES)	20,324.16	1,693.68	N

3. Modified Proposed Budget

The Proposed 2023 Budget is attached hereto as Exhibit B. The Proposed 2023 Budget and initial surcharge are based on an estimated date of approval of the RRC’s initial tariff of May 31, 2023.⁵ Based on this estimated tariff approval date, the RRC anticipates that the activities funded by its fiscal year 2023 budget will include retaining a CEO and initial staff, establishing permanent offices, and continuing administrative work required to establish a functioning ERO that complies with the RRC’s bylaws, rules, and policies and satisfies the requirements of the ERO statutes and regulations. For the period prior to approval of the initial tariff, the RRC plans to continue to fund the work of the RRC Board of Directors in the manner through which it funded the work of the RRC Implementation Committee and is currently funding the work of the RRC Board of Directors.

The RRC submitted an informational budget filing, EB1-9001, to the Commission on October 10, 2022. That budget filing provided a narrative description and explanation of each item in the proposed budget, as required by 3 AAC 46.160(c)(1). The Proposed 2023 Budget filed herewith as Exhibit B reflects the following modifications, which were made to reflect revised cost estimates and address comments received on the budget filed with EB1-9001:

- **Inflation Rate:** The proposed budget submitted with EB1-9001 included 2021 cost/salary figures for some budget line items and 2022 cost/salary figures for others, both of which were multiplied by an inflation factor of 8% to arrive at 2023 estimates. The Proposed 2023 Budget filed herewith was modified so that any 2021 costs/salaries used as a basis for 2023 estimates were first multiplied by an inflation factor of 8% to obtain 2022

⁵ Based on the anticipated tariff approval date of May 31, 2023, the Proposed 2023 Budget includes only those activities that the RRC plans to complete in its first six months of operation as the ERO. If the tariff is approved prior to May 31, 2023, the RRC will begin to undertake its major planned ERO activities earlier than June 1, 2023 and will likely be able to begin additional activities in 2023. In the event that the tariff is approved before May 31, 2023, the RRC will submit a revised 2023 budget that is adjusted for additional months of operation and includes estimated costs for activities the RRC plans to undertake after its first six months of operation as the ERO.

estimates, and all 2022 costs/salaries were multiplied by an inflation factor of 4% to arrive at 2023 costs/salaries.

- **Board Meeting Fees:** The estimated 2023 board meeting fee was reduced from \$414 to \$398 to reflect the actual 2022 average of Railbelt co-op board meeting fees of \$383 (which did not increase from 2021 and is the meeting fee adopted by the Board and currently in effect), multiplied by a 4% inflation adjustment.
- **Insurance:** The estimated 2023 insurance expense was adjusted to reflect a quote received after EB1-9001 was filed from Brown & Riding of \$27,637.93 annually for Director & Officer, employment liability, security, privacy breach, computer fraud, and cyber insurance. This quote is available on the RRC's website at www.AKRRC.org. The 2023 cost estimate for Insurance of \$33,000 reflects an estimated annual payment in November 2023 of the 2022 quoted amount with an upward adjustment for E&O insurance coverage, which the RRC plans to add in 2023.

The Proposed 2023 Budget (Exhibit B) provides a schedule showing the proposed dollar amount of each budget line item by account number, including any subaccounts, and includes the proposed dollar amount for each major planned activity and general administrative expenses of the RRC in 2023, as required by 3 AAC 46.430(c)(3) and (6).

As noted above, during the six months of 2023 that the RRC anticipates its tariff will be in effect, the RRC's major activities will include retaining a CEO and staff, renting and furnishing office space, and performing RRC Board and administrative functions required to establish a functioning and compliant ERO. As required by 3 AAC 46.430(c)(4) and (5), a list of identified major planned activities and the plan and estimated costs for carrying out each is as follows:

- **Retain CEO and Support Staff:** The RRC anticipates engaging an executive search agency to assist with retention of a CEO by October 1, 2023. The costs associated with this activity are reflected in the budget as follows:
 - The Proposed 2023 Budget includes \$77,194 on line 18 for Recruitment Services (Row 18). The estimated 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.
 - The 2023 CEO salary (\$333,478, Row 5) is based on the average of the 10 largest Alaska electric co-op CEO salaries in 2021, multiplied by an 8% inflation factor to obtain a 2022 estimate, which was then multiplied by a 4% inflation factor to adjust for anticipated 2022 inflation. The 2023 staffing level of 25% is based on an anticipated hire date for the CEO of October 1, 2023, assuming a three-month search and hiring process. The "Fully Loaded Cost" includes benefits and retirement.

- The 2023 salary figures for the executive assistant (\$108,548, Exhibit B - Row 6) and records manager (\$78,624, Row 7) positions are based on 2021 salary survey data from Chugach Electric Association (CEA) and Matanuska Electric Authority (MEA), multiplied by an 8% inflation adjustment for 2022 and a 4% inflation adjustment for 2022 to arrive at 2023 estimates. The “Fully Loaded Cost” for each includes benefits and retirement.
- **Rent and Furnish Office Space:** The RRC plans to rent and furnish office space for the RRC beginning October 1, 2023, which will require it to incur both one-time and monthly expenses. The estimated costs for office space, tenant improvements, internet, servers and network setup, offsite backup, computers, software, and printers, and office furniture are provided in rows 29-35 of the Proposed 2023 Budget attached as Exhibit B and explained below:
 - **Office Rent** (Row 29): the 2023 cost for office rent of \$11,700 per month is based on an average 2022 cost for Class A office space of \$11,250 per month ($\$2.50/\text{ft}^2 \times 4,500\text{ft}^2$) adjusted for 4% 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.
 - **Tenant Improvements** (Row 30): the one-time 2023 cost of \$83,200 for tenant improvements to the RRC office space, including telecommunication wiring, any necessary renovations, sound proofing, furniture, and any other expenses required to facilitate RRC operations and a meeting venue for the Board of Directors, Working Groups, and other RRC gatherings., is based on 2022 expenditures for office renovations by employers of RRC Directors, adjusted for 4% inflation.
 - **Internet** (Row 31): the monthly 2023 cost of \$2,746 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 in 2022 adjusted for 4% inflation. Internet expenses will begin October 1, 2023 when the RRC anticipates opening its office.
 - **Servers & Network Setup** (Row 32): the one-time 2023 cost of \$58,240 for servers and network setup is based on an estimated cost of \$12,000 per server for four servers plus a \$6,000 setup fee, adjusted for 4% inflation, and is based on 2022 expenditures by employers of RRC Directors.
 - **Offsite Backup** (Row 33): the monthly 2023 cost for offsite backup for RRC data of \$8,320 is based on the 2022 expenditure for offsite backup by an RRC Director’s employer, adjusted for 4% inflation. The RRC anticipates offsite backup beginning October 1, 2023.
 - **Computers, Software, Printers/Scanners** (Row 34): the 2023 per-unit cost of \$14,560 for computers, software, and printer/scanners is based on market pricing

for business laptop and desktop computers, office, accounting and engineering software, and printers/scanners that the RRC plans to purchase. 2022 market prices are adjusted for 4% inflation to 2023 pricing.

- **Office Furniture** (Row 35): the 2023 one-time cost of \$7,800 per employee for office furniture, including ergonomic desks, chairs, and shelving is based on 2022 office equipment cost data collected by MEA, adjusted for 4% inflation.
- **RRC Administrative Expenses:** The remaining portion of the Proposed 2023 Budget is administrative expenses required to continue RRC Board of Director meetings and administrative functions; purchase insurance; procure HR, legal, and accounting services; revise and maintain the RRC website; and provide RRC Board of Director training. Estimated costs for these expenses are provided in Rows 14-25 of the Proposed 2023 Budget attached as Exhibit B.

Conclusion

The RRC appreciates the Commission's review of the RRC's proposed tariff, initial annual surcharge, and 2023 budget.

Respectfully Submitted,

Railbelt Reliability Council

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Attachments: **Exhibit A:** RRC Proposed Tariff & Initial Annual Surcharge
 Exhibit B: Modified Proposed RRC Fiscal Year 2023 Budget
 Exhibit C: RRC Board of Directors Resolution Approving FY 2023 Budget