

HOUSE CS FOR CS FOR SENATE BILL NO. 157(FIN) am H

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/18/99

Offered: 5/18/99

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to power cost equalization; relating to appropriations from the
2 National Petroleum Reserve - Alaska special revenue fund to the power cost
3 equalization and rural electric capitalization fund; relating to the power cost
4 equalization and rural electric capitalization fund and the four dam pool
5 transfer fund; and providing for an effective date."

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 * **Section 1. FINDINGS AND PURPOSE.** (a) The legislature finds that

8 (1) affordable energy is essential for the economic and social well-
9 being of all Alaskans;

10 (2) the cost of electricity in many areas of rural Alaska is four
11 times that of major urban areas and reductions are not expected to be
12 substantially reduced in the near future;

13 (3) the cost of power in rural Alaska is a significant detriment to

1 economic growth and to maintaining a basic standard of living for rural residents;

2 (4) a power cost equalization program to provide parity for all
 3 Alaskans and to reduce energy costs to residents in high-cost areas is vitally
 4 needed.

5 (b) The purpose of this Act is to establish a program to provide affordable
 6 energy to meet basic economic and lifestyle needs of rural Alaskans, while
 7 providing incentives for conservation. It is further the intent of the legislature to
 8 provide adequate long-term funding for this program.

9 * **Sec. 2.** AS 37.05.530(g) is amended to read:

10 (g) Amounts received by the state under 42 U.S.C. 6508 and not
 11 appropriated for grants to municipalities under (d) of this section shall be
 12 deposited [LAPSE] at the end of each fiscal year as follows: (1) 25 [50] percent
 13 to the principal of the Alaska permanent fund; and (2) .5 percent to the public
 14 school trust fund (AS 37.14.110). The amounts remaining after the deposits to the
 15 Alaska permanent fund and the public school trust fund may be appropriated to
 16 the power cost equalization and rural electric capitalization fund (AS 42.45.100).
 17 The amounts remaining after any appropriation to the power cost equalization
 18 and rural electric capitalization fund shall lapse into [; AND (3) THE
 19 REMAINDER TO] the general fund for use by the state for the following facilities
 20 and services:

21 (A) planning;
 22 (B) construction, maintenance, and operation of essential
 23 public facilities; and
 24 (C) other necessary public services.

25 * **Sec. 3.** AS 42.45.050(b) is amended to read:

26 (b) Subject to appropriation, the department shall transfer the balance of
 27 the four dam pool transfer fund each month in accordance with this subsection.
 28 Subject to appropriation,

29 (1) 60 [40] percent of the balance in the four dam pool transfer
 30 fund shall be transferred to the power cost equalization and rural electric
 31 capitalization fund to be used for power cost equalization and rural electric

1 projects; **and**

2 (2) 40 percent of the balance in the four dam pool transfer fund
 3 shall be transferred to the Southeast energy fund to be used for power projects
 4 for utilities participating in the power transmission intertie between the Swan
 5 Lake and Tyee Lake hydroelectric projects [; AND

6 (3) 20 PERCENT OF THE BALANCE IN THE FOUR DAM
 7 POOL TRANSFER FUND SHALL BE TRANSFERRED TO THE POWER
 8 PROJECT FUND TO BE USED FOR STATEWIDE UTILITY PROJECTS].

9 * **Sec. 4.** AS 42.45.100(b) is amended to read:

10 (b) The fund shall be administered by the department as a fund distinct
 11 from the other funds of the department. The fund is composed of

12 (1) money appropriated to provide power cost equalization to
 13 eligible electric utilities and to provide grants for utility improvements;

14 (2) **money appropriated from the National Petroleum Reserve -**
 15 **Alaska special revenue fund under AS 37.05.530(g);**

16 (3) **gifts, bequests, and contributions from other sources; and**

17 (4) [(2)] interest earned on **the fund balance** [THOSE
 18 APPROPRIATIONS].

19 * **Sec. 5.** AS 42.45.110(b) is amended to read:

20 (b) An eligible electric utility is entitled to receive power cost equalization
 21 (1) for sales of power to local community facilities, calculated in the
 22 aggregate for each community served by the electric utility, for actual
 23 consumption of not more than 70 kilowatt-hours per month for each resident of
 24 the community; the number of community residents shall be determined under
 25 AS 29.60.020; and

26 (2) for actual consumption of not more than **500** [700] kilowatt-
 27 hours per month sold to each **residential** customer [IN ALL CLASSES SERVED
 28 BY THE ELECTRIC UTILITY EXCEPT

29 (A) CUSTOMERS OF THE UTILITY UNDER (1) OF THIS
 30 SUBSECTION; AND

31 (B) CUSTOMERS THAT ARE STATE OR FEDERAL

**OFFICES OR STATE OR FEDERAL FACILITIES OTHER THAN
PUBLIC SCHOOLS].**

* **Sec. 6.** AS 42.45.110(c) is amended to read:

(c) The amount of power cost equalization provided per kilowatt-hour under subsection (b) of this section may not exceed 95 percent of the power costs, or the average rate per eligible kilowatt-hour sold, whichever is less, as determined by the commission. However,

(1) during the state fiscal year that began July 1, 1999 [JULY 1, 1993], the power costs for which power cost equalization were paid to an electric utility were limited to minimum power costs of more than 12 [9.5] cents per kilowatt-hour and less than 52.5 cents per kilowatt-hour;

(2) during each following state fiscal year, the commission shall adjust the power costs for which power cost equalization may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau; however, the commission may not adjust the power costs under this paragraph to reduce the amount below the lower limit set out in (1) of this subsection; and

(3) the power cost equalization per kilowatt-hour may be determined for a utility without historical kilowatt-hour sales data by using kilowatt-hours generated.

* **Sec. 7.** AS 42.45.110(d) is amended to read:

(d) An electric utility whose customers receive power cost equalization under AS 42.45.100 - 42.45.150 shall set out in its tariff the rates without the power cost equalization and the amount of power cost equalization per kilowatt-hour sold. The rate charged to the customer shall be the difference between the two amounts. Power cost equalization paid under AS 42.45.100 - 42.45.150 shall be used to reduce the cost of all power sold to local community facilities, in the aggregate, to the extent of 70 kilowatt-hours per month per resident of the community, and to reduce the cost of the first 500 [700] kilowatt-hours per residential customer per month [FOR ALL OTHER CLASSES SERVED BY THE ELECTRIC UTILITY EXCEPT STATE AND FEDERAL OFFICES AND STATE

AND FEDERAL FACILITIES OTHER THAN PUBLIC SCHOOLS].

*** Sec. 8. AS 42.45.110(i) is amended to read:**

(i) The department shall review the report required under (h) of this section. After review and approval of the report, the department shall, subject to appropriation, pay to each eligible electric utility an amount equal to the power cost equalization per kilowatt-hour determined under (a) and (c) of this section, multiplied by the number of kilowatt-hours eligible for power cost equalization that were sold during the preceding month to all customers of the utility under (b) of this section. Payment shall be made by the department within 30 days after receipt from the utility of the report required under (h) of this section. If appropriations that have been made for the purpose by July 1 of a fiscal year are insufficient for payment in full, the amount paid to each electric utility shall be [IS] reduced on a pro rata basis. In making the pro rata reductions required by this subsection, the department may not consider any potential supplemental appropriation until the appropriation has been enacted.

* Sec. 9. AS 42.45.120 is amended to read:

Sec. 42.45.120. Notice to customers. If an electric utility receives power cost equalization under AS 42.45.100 - 42.45.150, the utility shall either give to its electric service customers eligible under this program, for each period for which the payment is received.

(1) the following notice:

NOTICE TO CUSTOMER

For the most recent monthly reporting period under the State of Alaska's power cost equalization program, this utility's actual fuel efficiency for your community was kilowatt-hours a gallon. The applicable fuel efficiency standard set out in regulations for the power cost equalization program is kilowatt-hours a gallon.

For the current billing period, the utility will be paid under the State of Alaska's power cost equalization program (AS 42.45.100) to assist the utility and its customers in reducing the high cost of generation of electric energy. Your total electrical service cost

1 \$.....

2 Less state equalization \$.....

3 Your charge \$.....; or

7 * Sec. 10. This Act takes effect July 1, 1999.