

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version HB 294
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB294-DCCED-AEA-02-10-12 Dept. Affected DCCED
 Title Power Cost Equalization Appropriation Alaska Energy Authority
 Allocation AEA Power Cost Equalization
 Sponsor Representative Edgmon
 Requester House Special Committee on Energy OMB Component Number 2602

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services	81.0		81.0	81.0	81.0	81.0	81.0
Commodities	5.0						
Capital Outlay							
Grants, Benefits	33,040.0		33,040.0	33,040.0	33,040.0	33,040.0	33,040.0
Miscellaneous							
TOTAL OPERATING	33,126.0	0.0	33,121.0	33,121.0	33,121.0	33,121.0	33,121.0

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF	33,126.0	33,121.0	29,811.0	20,311.0	20,311.0	20,311.0
1169	PCE Endow (DGF)			3,310.0	12,810.0	12,810.0	12,810.0
1037	GF/MH (UGF)						
1178	temp code (UGF)						
TOTAL		33,126.0	0.0	33,121.0	33,121.0	33,121.0	33,121.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							
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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

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 Approved by JoEllen Hanrahan, Director Administrative Services
Commerce, Community, and Economic Development

Phone 907-771-3000
 Date/Time 02/10/12 4:00PM
 Date 2/10/2012

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Analysis

This legislation amends AS 42.45.110 (b) relating to the Power Cost Equalization (PCE) program by increasing the eligible kWh from 500 kWh to 700 kWh per eligible customer per month. This legislation also changes the definition of eligible customer to include commercial and public school customers.

Cost estimate to implement this legislation \$33,126.0:

1) **\$15,140.0** - Estimated annual cost to increase eligible kWh from 500 to 700 kWh a month sold for residential customers (current eligible customers):

FY12 Authorized Grant Expense	\$37,850.0
	<u> x .40 </u>
Estimated increase of 40% (200/500)	\$15,140.0

This estimate assumes all customers will be eligible for the maximum amount.

2) **\$17,900.0** - Estimated annual cost to include commercial and public school customers as eligible customers:

This estimate was based on the last reported statistical information obtained from PCE monthly reports submitted by current participating utilities. We estimated the annual kWh eligible for PCE by multiplying each utility's last reported number of commercial customers plus an estimate of 2 public school customers by 8,400 kWh (700 per mo. x 12). We estimated the annual cost by multiplying the estimated kWh eligible for PCE by the utility's last reported PCE Rate. Supplementary information regarding this estimate is available at AEA upon request.

3) **\$86.0** - Estimated cost for one additional Accounting Technician. This position is required for increased work required to verify the eligibility of additional customers and related kWh as required by statute and to provide additional technical assistance for the utilities. Estimated cost is \$71.0 for a Range 12 position. This estimate includes \$10.0 for core services costs and \$5.0 for 1st year start up costs .

Please also see associated fiscal note for the AIDEA RDU Component #1234. All employees are budgeted under the AIDEA component. AEA contracts with AIDEA for personnel. AEA's costs are budgeted as contractual services costs in AEA's operating components.

Recap of Revised Program Cost:

FY13 Estimated Program Cost - current program	\$38,190.0
Estimated cost to implement this legislation	<u>33,126.0</u>
Revised Program Cost	<u>\$71,316.0</u>

See page 3 for a more detailed recap of the PCE Program at current levels plus HB294.

Funding Source: The annual appropriation to the PCE program from the PCE Endowment Fund is based on 7% of the average monthly market value of the fund for the previous 3 fiscal years (AS 42.45.085). In prior years, program funding for the PCE program has required an appropriation from the general fund to fully fund PCE. However, the PCE Endowment Fund was capitalized by a \$400 million dollar appropriation effective June 30, 2011. AEA performed a simplistic computation of projected PCE Endowment Fund balances for purposes of preparing this fiscal note and estimating out-year funding sources. See page 3 for details.

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Analysis Continued

Recap of PCE Program with HB294

	Current Program	HB294	Revised Program Cost	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY13	FY13	FY13	FY14	FY15	FY16	FY17	FY18
<u>PCE Expenditures:</u>								
AEA Administration	175.0	86.0	261.0	256.0	256.0	256.0	256.0	256.0
AEA Training	25.0	-	25.0	25.0	25.0	25.0	25.0	25.0
RCA Administration	140.0	-	140.0	140.0	140.0	140.0	140.0	140.0
Grants	37,850.0	33,040.0	70,890.0	70,890.0	70,890.0	70,890.0	70,890.0	70,890.0
	<u>38,190.0</u>	<u>33,126.0</u>	<u>71,316.0</u>	<u>71,311.0</u>	<u>71,311.0</u>	<u>71,311.0</u>	<u>71,311.0</u>	<u>71,311.0</u>
<u>Funding Sources:</u>								
General Fund	15,314.2	33,126.0	48,440.2	39,111.0	29,811.0	20,311.0	20,311.0	20,311.0
PCE Endowment Fund	22,875.8	-	22,875.8	32,200.0	41,500.0	51,000.0	51,000.0	51,000.0
	<u>38,190.0</u>	<u>33,126.0</u>	<u>71,316.0</u>	<u>71,311.0</u>	<u>71,311.0</u>	<u>71,311.0</u>	<u>71,311.0</u>	<u>71,311.0</u>

Note: AEA's projections of the available PCE Endowment Fund balance for the purposes of the fiscal note were simplistic with the basic assumption of fund earnings = to 7%; and an annual appropriation = to 7% of avg. mmv of the fund for the previous 3 fiscal years (per AS42.45.085). The \$400 million capitalization was spread over a three year period.