

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 39 (A)
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB039-DCCED-AEA-02-01-13
Title: POWER COST EQUALIZATION
Sponsor: EDGMON
Requester: House Energy

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Energy Authority
Allocation: Alaska Energy Authority Power Cost Equalization
OMB Component Number: 2602

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES							
Personal Services							
Travel		10.0					
Services	83.2	341.0	83.2	83.2	83.2	83.2	83.2
Commodities	5.0		1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants & Benefits	20,600.0	40,000.0	20,600.0	20,600.0	20,600.0	20,600.0	20,600.0
Miscellaneous							
Total Operating	20,688.2	40,351.0	20,684.2	20,684.2	20,684.2	20,684.2	20,684.2

Fund Source (Operating Only)

1004 Gen Fund	20,688.2	7,260.0	17,303.8	6,840.9	5,253.8	4,834.8	4,861.0
1169 PCE Endow		33,091.0	3,380.4	13,843.3	15,430.4	15,849.4	15,823.2
Total	20,688.2	40,351.0	20,684.2	20,684.2	20,684.2	20,684.2	20,684.2

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By:	Sara Fisher-Goad, Executive Director	Phone:	(907)771-3000
Division	Alaska Energy Authority	Date:	02/01/2013 05:30 PM
Approved By:	JoEllen Hanrahan, Director	Date:	02/01/13
	Administrative Services		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB39

Analysis

The proposed legislation amends AS 42.45.110 (b) relating to the Power Cost Equalization (PCE) program by increasing the eligible kWh from 500 kWh to 600 kWh for each eligible customer per month. The legislation also changes the definition of eligible customer to include commercial customers who consume less than 2,400 kilowatt-hours a month.

We assumed an effective date of July 1, 2013 for fiscal note purposes.

FY 14 Appropriation Requested - 20,688.2

Costs Breakdown:

1) 6,300.0 - Estimated annual cost to increase eligible kWh from 500 to 600 kWh a month for residential customers (current eligible customers):

Estimated FY14 Residential Grant Costs	31,500.0
Percentage Increase (100kwh/500kwh)	x.20
Estimated additional cost	6,300.0

2) 14,300.0 - Estimated annual cost to include commercial customers who are sold less than 2,400 kWh a month as PCE eligible customers. Eligible commercial customers would receive up to 600 eligible kWh a month. The estimate is based on the assumption that 25% (600/2400 kWh) of kWh hours sold to commercial customers would be eligible for the credit.

The estimate was based on statistical information obtained from PCE monthly reports submitted by current participating utilities. Eligible kWh was estimated by multiplying the annualized reported kWh sold to commercial customers in FY12 by 25%. The annual cost was determined by multiplying the estimated eligible kWh by the utility's last reported PCE rate. Supplementary information regarding this estimate is available at AEA upon request.

3) 88.2 - Estimated FY 14 contractual cost to AEA for one Accounting Technician. The position is required for increased work required to verify the eligibility and related kWh of additional customers as required by statute and to provide additional technical assistance for the utilities. The estimate includes 73.2 for a Range 12 Accounting Technician position, 10.0 for statewide core services, and 5.0 for first year start-up costs. Subsequent years include 1.0 for on-going supply costs associated with the position.

Please reference the associated fiscal note for 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 in AEA's operating components.

Funding Sources:

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 three (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 program costs. The PCE Endowment Fund was capitalized by a \$400 million dollar GF appropriation effective June 30, 2011. The full effect of the fund capitalization on the PCE program payout is not fully realized until budget year FY2016.

For purposes of this fiscal note, AEA obtained out year estimated average balances and appropriation amounts from the Department of Revenue who manages the fund investments. The calculated payout assumes the continuation of a 7% payout from the PCE Endowment Fund to the PCE program in accordance with AS.42.45.080.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB39

Analysis Continued

Endowment Fund Analysis (from Treasury)		FY14	FY15	FY16	FY17	FY18	FY19
Average Monthly Balance		736,593.0	784,755.5	801,264.1	804,610.4	802,716.3	800,138.9
3/yr average		472,728.8	624,734.1	774,204.2	796,876.7	802,863.6	802,488.5
DoR Actual/Estimated appropriation (a)		33,091.0	43,731.4	54,194.3	55,781.4	56,200.4	56,174.2
<i>(a) Assumes continuation of a 7% payout in accordance with AS.42.45.080.</i>							

AEA Recap of PCE Program without HB39								
	FY14 Governor	HB39	Revised Program Cost	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY14	FY14	FY14	FY15	FY16	FY17	FY18	FY19
<u>PCE Expenditures:</u>								
AEA Administration	186.0		186.0	186.0	186.0	186.0	186.0	186.0
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	40,000.0		40,000.0	40,000.0	40,000.0	40,000.0	40,000.0	40,000.0
	40,351.0	-	40,351.0	40,351.0	40,351.0	40,351.0	40,351.0	40,351.0
<u>Funding Sources:</u>								
General Fund	7,260.0		7,260.0					
PCE Endowment Fund	33,091.0	-	33,091.0	40,351.0	40,351.0	40,351.0	40,351.0	40,351.0
	40,351.0	-	40,351.0	40,351.0	40,351.0	40,351.0	40,351.0	40,351.0
Reinvestment of PCE Endowment Funds				3,380.4	13,843.3	15,430.4	15,849.4	15,823.2

AEA Recap of PCE Program with HB39								
	FY14 Governor	HB39	Revised Program Cost	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY14	FY14	FY14	FY15	FY16	FY17	FY18	FY19
<u>PCE Expenditures:</u>								
AEA Administration	186.0	88.2	274.2	270.2	270.2	270.2	270.2	270.2
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	40,000.0	20,600.0	60,600.0	60,600.0	60,600.0	60,600.0	60,600.0	60,600.0
	40,351.0	20,688.2	61,039.2	61,035.2	61,035.2	61,035.2	61,035.2	61,035.2
<u>Funding Sources:</u>								
General Fund	7,260.0	20,276.4	27,948.2	17,303.8	6,840.9	5,253.8	4,834.8	4,861.0
PCE Endowment Fund	33,091.0	-	33,091.0	43,731.4	54,194.3	55,781.4	56,200.4	56,174.2
	40,351.0	20,276.4	61,039.2	61,035.2	61,035.2	61,035.2	61,035.2	61,035.2