

**CS FOR SENATE BILL NO. 185(FIN) am**  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - SECOND SESSION

**BY THE SENATE FINANCE COMMITTEE**

**Amended: 4/24/02**

**Offered: 4/10/02**

**Sponsor(s): SENATE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the basis for determining eligibility for and the amount of power**  
2 **cost equalization payments; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **\* Section 1.** AS 42.45.100(a) is amended to read:

5 (a) The power cost equalization and rural electric capitalization fund is  
6 established as a separate fund for the purpose of

7 (1) equalizing power cost per kilowatt-hour statewide at a cost close to  
8 [OR EQUAL TO] the mean of the cost per kilowatt-hour in Anchorage, Fairbanks,  
9 and Juneau by paying money from the fund to eligible electric utilities in the state; and

10 (2) making grants to eligible utilities under AS 42.45.180 to improve  
11 the performance of the utility.

12 **\* Sec. 2.** AS 42.45.100(a) is amended to read:

13 (a) The power cost equalization and rural electric capitalization fund is  
14 established as a separate fund for the purpose of

1 (1) equalizing power cost per kilowatt-hour statewide at a cost close to  
 2 **or equal to** the mean of the cost per kilowatt-hour in Anchorage, Fairbanks, and  
 3 Juneau by paying money from the fund to eligible electric utilities in the state; and

4 (2) making grants to eligible utilities under AS 42.45.180 to improve  
 5 the performance of the utility.

6 \* **Sec. 3.** AS 42.45.110(b) is amended to read:

7 (b) An eligible electric utility is entitled to receive power cost equalization

8 (1) for sales of power to local community facilities, calculated in the  
 9 aggregate for each community served by the electric utility, for actual consumption of  
 10 not more than 70 kilowatt-hours per month for each resident of the community; the  
 11 number of community residents shall be determined under AS 29.60.020; and

12 (2) for actual consumption [OF NOT MORE THAN 500  
 13 KILOWATT-HOURS PER MONTH] sold to each residential customer **of not more**  
 14 **than**

15 **(A) 450 kilowatt-hours per month for the months of**  
 16 **October through March; and**

17 **(B) 350 kilowatt-hours per month for the months of April**  
 18 **through September.**

19 \* **Sec. 4.** 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 consumption of  
 23 not more than 70 kilowatt-hours per month for each resident of the community; the  
 24 number of community residents shall be determined under AS 29.60.020; and

25 (2) for actual consumption **of not more than 500 kilowatt-hours per**  
 26 **month** sold to each residential customer [OF NOT MORE THAN

27 (A) 450 KILOWATT-HOURS PER MONTH FOR THE  
 28 MONTHS OF OCTOBER THROUGH MARCH; AND

29 (B) 350 KILOWATT-HOURS PER MONTH FOR THE  
 30 MONTHS OF APRIL THROUGH SEPTEMBER].

31 \* **Sec. 5.** AS 42.45.110(c) is amended to read:

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

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

9 (2) during **the state fiscal years beginning July 1, 2000, and July 1,**  
 10 **2001** [EACH FOLLOWING STATE FISCAL YEAR], the commission shall adjust  
 11 the power costs for which power cost equalization may be paid to an electric utility  
 12 based on the weighted average retail residential rate in Anchorage, Fairbanks, and  
 13 Juneau; however, the commission may not adjust the power costs under this paragraph  
 14 to reduce the amount below the lower limit set out in (1) of this subsection; [AND]

15 (3) **during each following state fiscal year, the commission shall**  
 16 **adjust the power costs for which power cost equalization may be paid to an**  
 17 **electric utility based on the weighted average retail residential rate in Anchorage,**  
 18 **Fairbanks, and Juneau, per kilowatt-hour for sales to residential customers of**  
 19 **400 kilowatt-hours per month; the commission may not adjust the power costs**  
 20 **under this paragraph to reduce the amount below 16.75 cents per kilowatt-hour,**  
 21 **and may not apply an adjustment determined under this paragraph if the**  
 22 **adjustment reduces the power cost equalization payment to an electric utility by**  
 23 **more than 25 percent below the amount paid the previous fiscal year; if, in**  
 24 **making the adjustments authorized by this paragraph, application of the**  
 25 **adjustments would cause the reduction to any electric utility to exceed that 25**  
 26 **percent, the commission shall**

27 (A) **reduce the payment due each electric utility to an**  
 28 **amount that is 25 percent below the amount paid to that utility the**  
 29 **previous fiscal year; and**

30 (B) **thereafter reduce pro rata the amount paid to each**  
 31 **electric utility to comply with the power cost adjustment formula set out**

**in this paragraph; and**

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

(c) The amount of power cost equalization provided per kilowatt-hour under (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, the power costs for which power cost equalization were paid to an electric utility were limited to minimum power costs of more than 12 cents per kilowatt-hour and less than 52.5 cents per kilowatt-hour;

(2) during the state fiscal **year** [YEARS] beginning **July 1, 2007, and each following state fiscal year** [JULY 1, 2000, AND JULY 1, 2001], 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) [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, PER KILOWATT-HOUR FOR SALES TO RESIDENTIAL CUSTOMERS OF 400 KILOWATT-HOURS PER MONTH; THE COMMISSION MAY NOT ADJUST THE POWER COSTS UNDER THIS PARAGRAPH TO REDUCE THE AMOUNT BELOW 16.75 CENTS PER KILOWATT-HOUR, AND MAY NOT APPLY AN ADJUSTMENT DETERMINED UNDER THIS PARAGRAPH IF THE ADJUSTMENT REDUCES THE POWER COST EQUALIZATION PAYMENT TO AN ELECTRIC UTILITY BY MORE

1 THAN 25 PERCENT BELOW THE AMOUNT PAID THE PREVIOUS YEAR; IF,  
 2 IN MAKING THE ADJUSTMENTS AUTHORIZED BY THIS PARAGRAPH,  
 3 APPLICATION OF THE ADJUSTMENTS WOULD CAUSE THE REDUCTION  
 4 TO ANY ELECTRIC UTILITY TO EXCEED THAT 25 PERCENT, THE  
 5 COMMISSION SHALL

6 (A) REDUCE THE PAYMENT DUE EACH ELECTRIC  
 7 UTILITY TO AN AMOUNT THAT IS 25 PERCENT BELOW THE  
 8 AMOUNT PAID TO THAT UTILITY THE PREVIOUS FISCAL YEAR;  
 9 AND

10 (B) THEREAFTER REDUCE PRO RATA THE AMOUNT  
 11 PAID TO EACH ELECTRIC UTILITY TO COMPLY WITH THE POWER  
 12 COST ADJUSTMENT FORMULA SET OUT IN THIS PARAGRAPH; AND

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

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

17 (d) An electric utility whose customers receive power cost equalization under  
 18 AS 42.45.100 - 42.45.150 shall set out in its tariff the rates without the power cost  
 19 equalization and the amount of power cost equalization per kilowatt-hour sold. The  
 20 rate charged to the customer shall be the difference between the two amounts. Power  
 21 cost equalization paid under AS 42.45.100 - 42.45.150 shall be used to reduce the cost  
 22 of all power sold to local community facilities, in the aggregate, to the extent of 70  
 23 kilowatt-hours per month per resident of the community, and to reduce the cost **to**  
 24 **each residential customer of not more than 450** [THE FIRST 500] kilowatt-hours  
 25 per residential customer per month **for the months of October through March, and**  
 26 **not more than 350 kilowatt-hours per month for the months of April through**  
 27 **September.**

28 \* **Sec. 8.** AS 42.45.110(d) is amended to read:

29 (d) An electric utility whose customers receive power cost equalization under  
 30 AS 42.45.100 - 42.45.150 shall set out in its tariff the rates without the power cost  
 31 equalization and the amount of power cost equalization per kilowatt-hour sold. The

1 rate charged to the customer shall be the difference between the two amounts. Power  
 2 cost equalization paid under AS 42.45.100 - 42.45.150 shall be used to reduce the cost  
 3 of all power sold to local community facilities, in the aggregate, to the extent of 70  
 4 kilowatt-hours per month per resident of the community, and to reduce the cost [TO  
 5 EACH RESIDENTIAL CUSTOMER] of the first 500 [NOT MORE THAN 450]  
 6 kilowatt-hours per residential customer per month [FOR THE MONTHS OF  
 7 OCTOBER THROUGH MARCH, AND NOT MORE THAN 350 KILOWATT-  
 8 HOURS PER MONTH FOR THE MONTHS OF APRIL THROUGH SEPTEMBER].

9 \* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to  
 10 read:

11 **POWER COST EQUALIZATION PROGRAM ADJUSTMENTS.** It is the intent of  
 12 the legislature that if the amount available for power cost equalization under  
 13 AS 42.45.085(a)(1) exceeds the costs of the program, the legislature will

14 (1) review the statutory provisions and consider increasing the maximum  
 15 number of kilowatt hours eligible for power cost equalization and adjusting the minimum and  
 16 maximum power costs for which power cost equalization may be paid; and

17 (2) consider other changes to provisions of the program in order to further  
 18 lower the cost of electricity to rural consumers.

19 \* **Sec. 10.** Sections 1, 3, 5, 7, and 9 of this Act take effect July 1, 2002.

20 \* **Sec. 11.** Sections 2, 4, 6, and 8 of this Act take effect July 1, 2007.