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1 IN THE HOUSE

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 758

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to power production cost assistance
7 for electric utilities; and providing for an effective
8 date."

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

10 * Section 1. AS 44.56 is amended by adding a new section to read:

11 ARTICLE 4A. POWER PRODUCTION COST ASSISTANCE.

12 Sec. 44.56.175. POWER PRODUCTION COST ASSISTANCE. (a) There is
13 established as a separate fund to provide financial assistance to elec-
14 tric utilities in the state, the power production cost assistance fund
15 which shall be administered by the authority as a fund distinct from
16 other funds of the authority and which is composed of money appropriated
17 for the purposes of power production cost assistance.

18 (b) Power production costs are costs of energy generation con-
19 sisting of production expense and fixed costs associated with energy
20 generation.

21 (1) Production expense consists of costs of

- 22 (A) operation;
- 23 (B) supervision and engineering;
- 24 (C) fuel, oil;
- 25 (D) fuel, gas;
- 26 (E) general expenses;
- 27 (F) miscellaneous other power generation expenses;
- 28 (G) rents;
- 29 (H) maintenance, supervision and engineering;

- 1 (I) maintenance of structures;
2 (J) maintenance of generating and electric plant;
3 (K) maintenance of miscellaneous other power generation.
4 (2) Fixed costs associated with energy generation consist of
5 (A) depreciation of a generating plant and equipment;
6 (B) taxes on a generating plant and equipment;
7 (C) insurance on or attributable to a generating plant
8 and equipment;
9 (D) interest on indebtedness incurred for a generating
10 plant and equipment.

11 (3) For the purposes of this section, actual power production
12 costs are the expenses and costs referred to in this subsection, less
13 any other financial assistance provided to the electric utility.

14 (c) A power production cost adjustment curve to determine power
15 production cost assistance is established as follows:

- 16 x = the actual power production cost, \$/kwh.
17 y = the adjusted power production cost, \$/kwh.
18 $y = .272x \text{ plus } .05096$, if x is greater than \$0.070.
19 $y = x$, if x is equal to or less than \$0.070.
20 $y = \$0.159 \text{ plus } (x - \$0.400)$, if x is equal to or
21 greater than \$0.400.

22 (d) Except as is provided in (i) of this section, the electric
23 utility may include as part of its revenue requirement for the purpose
24 of setting rates only the adjusted power production cost per kilowatt-
25 hour sold.

26 (e) The power production cost assistance program shall be ad-
27 ministered by the authority based on a determination of adjusted power
28 production cost of each electric utility by the Alaska Public Utilities
29 Commission. Each electric utility in the state which determines that it

1 is or may be eligible for power production cost assistance may file with
2 the Alaska Public Utilities Commission in the form the commission designates
3 revised tariffs filed under AS 42.05.411 and an additional
4 schedule showing its actual power production costs, and the power production
5 cost assistance estimated to be available to the utility by
6 application of the power production cost adjustment curve set out in (c)
7 of this section. The Alaska Public Utilities Commission shall review
8 the filing and approve an adjusted power production cost per kilowatt-hour
9 and revised rates based on the approved adjusted power production
10 cost per kilowatt-hour. Thereafter, the Alaska Public Utilities Commission
11 shall annually redetermine the adjusted power production cost
12 per kilowatt-hour for each electric utility.

13 (f) An electric utility not subject to jurisdiction of the Alaska
14 Public Utilities Commission becomes subject to the jurisdiction of the
15 commission upon the approval of revised rates based on the approved
16 adjusted power production cost per kilowatt-hour by the commission.

17 (g) Each electric utility with a rate schedule and adjusted power
18 production cost approved by the Alaska Public Utilities Commission shall
19 report monthly to the authority within the time and in the form the
20 authority designates (1) the total actual power production costs of
21 electric power of the electric utility for the preceding month including
22 a detailed breakdown of those costs as specified by the Alaska Public
23 Utilities Commission; and (2) the total kilowatt-hours sold during the
24 preceding month. The authority shall review the report and may submit
25 the report to the Alaska Public Utilities Commission for additional
26 review before payment.

27 (h) Except as provided in (i) of this section, after review and
28 approval by the authority the authority shall, subject to appropriation,
29 pay to the electric utility an amount equal to the difference between

1 the actual power production costs for the preceding month and the ap-
2 proved adjusted power production cost per kilowatt-hour times the number
3 of kilowatt-hours sold during the preceding month. If appropriations
4 are insufficient for payment in full, the amount paid to each electric
5 utility is reduced on a pro-rata basis.

6 (i) At any time that the actual power production costs of an
7 electric utility are lower than the level approved by the Alaska Public
8 Utilities Commission as a result of more economical operation or because
9 of capital investment by the electric utility, upon request by the
10 electric utility, the authority shall recalculate the adjusted power
11 production cost according to (c) of this section and shall make payment
12 to the electric utility based on the lower adjusted power production
13 cost.

14 (j) Only an electric utility whose residential customers consume
15 15 percent or greater of the electric energy (kwh) sold by the electric
16 utility are eligible under this section.

17 * Sec. 2. AS 42.05.141 is amended by adding a new subsection to read:

18 (b) The Alaska Public Utilities Commission shall perform the
19 duties assigned to it by AS 44.56.175.

20 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).