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Offered: 4/23/80  
Referred: Finance

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 CS FOR 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 electrical generation con-  
19 sisting of production expense and fixed costs associated with electrical  
20 generation.

21 (1) Production expense consists of costs of

22 (A) operation supervision and engineering;

23 (B) fuel, oil, gas, coal, and other thermal fuels;

24 (C) generation expenses;

25 (D) miscellaneous other power generation expenses;

26 (E) rents;

27 (F) maintenance supervision and engineering;

28 (G) maintenance of structures;

29 (H) maintenance of generating and electric plant;

- 1 (I) maintenance of miscellaneous other power generation.
- 2 (2) Fixed costs associated with electrical generation consist
- 3 of
- 4 (A) depreciation of a generating plant and equipment;
- 5 (B) taxes on a generating plant and equipment;
- 6 (C) insurance on or attributable to a generating plant
- 7 and equipment;
- 8 (D) interest on indebtedness incurred for a generating
- 9 plant and equipment.
- 10 (3) For the purposes of this section, (1)(A) - (I) and
- 11 (2)(A) - (D) of this subsection are defined as those items are defined
- 12 in a recognized system of utility accounts designated by the commission.
- 13 (4) For the purposes of this section, actual power production
- 14 costs are the expenses and costs prescribed in this subsection, less any
- 15 other power production cost assistance provided to the electric utility.
- 16 (c) A power production cost adjustment to determine power produc-
- 17 tion cost assistance is established as follows:
- 18 (1) If actual power production cost is equal to or less than
- 19 seven cents per kilowatt-hour, the adjusted power production cost is the
- 20 same as the actual power production cost.
- 21 (2) If actual power production cost is greater than seven
- 22 cents per kilowatt-hour, but not more than 40 cents per kilowatt-hour,
- 23 the adjusted power production cost is the sum of one-fourth of the
- 24 actual power production cost and 5.25 cents per kilowatt-hour.
- 25 (3) If actual power production cost is greater than 40 cents
- 26 per kilowatt-hour, the adjusted power production cost is equal to the
- 27 sum of the actual power production cost less 24.75 cents per kilowatt-
- 28 hour.
- 29 (d) An electric utility may include as part of its revenue re-

1           quirement for the purpose of setting rates charged for residential  
2           service and local community facilities service only the adjusted power  
3           production cost per kilowatt-hour sold. However, the utility's approved  
4           tariff shall show rates based on the actual cost of providing electric  
5           utility service and the state assistance derived from the power produc-  
6           tion cost assistance program under this section.

7           (e) The power production cost assistance program shall be ad-  
8           ministered by the authority based on a determination by the commission  
9           of adjusted power production cost of each electric utility eligible for  
10          power production cost assistance. The initial adjusted power production  
11          cost shall be based on computations of the power production cost filed  
12          with the commission by each eligible electric utility, as verified by  
13          the commission, and shall be derived from financial data supporting the  
14          most recently approved permanent rate schedule with adjustments in-  
15          corporating the current cost of fuel. The determination of the cost of  
16          fuel by the commission shall be in accordance with the procedure for  
17          approving fuel cost rate adjustments in effect at the time of the deter-  
18          mination. The commission shall review the filing and approve an ad-  
19          justed power production cost per kilowatt-hour and revised rates based  
20          on the approved adjusted power production cost per kilowatt-hour.  
21          Thereafter, the adjusted power production costs may be changed only if:

22                   (1) an increase or decrease in a utility's cost of fuel has  
23                   resulted in the approval of a fuel cost rate adjustment by the commis-  
24                   sion;

25                   (2) a permanent or interim rate increase has been approved by  
26                   the commission, thereby establishing a higher or lower power production  
27                   cost;

28                   (3) the authority has discovered discrepancies in its review  
29                   of data submitted, monthly, by the utilities;

1 (4) the legislature has established a new power production  
2 cost adjustment under (c) of this section;

3 (5) the authority determines that appropriations are in-  
4 sufficient to fund full payments to eligible utilities.

5 (f) An electric utility that is not subject to the jurisdiction of  
6 the commission becomes subject to that jurisdiction upon the approval by  
7 the commission of an adjusted power production cost per kilowatt-hour  
8 sold, notwithstanding the provisions of AS 42.05.701 or 42.05.711.

9 (g) Each electric utility with a rate schedule and adjusted power  
10 production cost approved by the commission shall report monthly to the  
11 authority within the time and in the form the authority designates (1)  
12 the total actual power production costs of electric power including a  
13 detailed breakdown of those costs as specified by the commission; (2)  
14 the total kilowatt-hours sold during the preceding month; (3) the total  
15 kilowatt-hours sold during the preceding month for service eligible for  
16 power production cost assistance under (b) of this section; (4) the  
17 total kilowatt-hours generated during the preceding month; (5) the total  
18 power production cost per kilowatt-hour sold; (6) the total power pro-  
19 duction cost per kilowatt-hour generated; and (7) any increase or de-  
20 crease in the current unit price of fuel from the base price used by the  
21 commission in the determination of power production costs. The authority  
22 shall review the report and may submit the report to the commission for  
23 additional review before payment.

24 (h) After review and approval by the authority, the authority  
25 shall, subject to appropriation, pay to the electric utility an amount  
26 equal to the difference between the actual power production costs for  
27 the preceding month and the approved adjusted power production cost per  
28 kilowatt-hour times the number of kilowatt-hours sold to residential and  
29 local community facility customers during the preceding month. Payment

1 shall be made by the authority within 30 days of receipt from the uti-  
2 lity of the report required under (g) of this section. However, if  
3 there is a dispute between the authority and the utility relating to the  
4 payment, the authority shall submit the report to the commission within  
5 30 days of receipt of the report by the authority for review before  
6 payment. When a report is submitted to the commission for review under  
7 this section, payment shall be made by the authority within 30 days  
8 after submission. If appropriations are insufficient for payment in  
9 full, the amount paid to each electric utility is reduced on a pro-rata  
10 basis.

11 (i) To be eligible for power production cost assistance under this  
12 section, at least 15 percent of total energy sold by an electric utility  
13 during the preceding calendar year must have been sold for residential  
14 use.

15 (j) If an electric utility receives a payment under this section,  
16 the utility shall furnish the following notice to its electric service  
17 customers eligible under this program for each period for which the  
18 payment is received.

19 NOTICE TO CUSTOMER

20 For the current billing period the utility has been paid  
21 under the State of Alaska's power production cost assistance  
22 program (AS 44.56.175) to assist the utility and its custo-  
23 mers in reducing the high cost of generation of electric  
24 energy.

25	Your total electrical service cost	\$
26	Less state assistance	\$
27	Your charge	\$

28 (k) The power production cost assistance provided under this  
29 section terminates July 1, 1985.

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(1) In this section,

(1) "commission" means the Alaska Public Utilities Commission;

(2) "local community facilities" means water and sewer facilities, public outdoor lighting, and community buildings whose operations are not paid for by the state, the federal government, or private commercial interests.

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

(b) The commission shall perform the duties assigned to it under AS 44.56.175. In the establishment of electric service rates under this chapter the commission shall promote the conservation of resources used in the generation of electric energy.

\* Sec. 3. AS 44.56.175 and AS 42.05.141(b) are repealed effective July 1, 1985.

\* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).