

Offered: 5/24/84  
Referred: Rules

Original sponsors: Sackett and Ferguson

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 HOUSE CS FOR SENATE BILL NO. 376 (2d Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL.

6 For an Act entitled: "An Act relating to power cost assistance; and pro-  
7 viding for an effective date."

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

9 \* Section 1. AS 44.83.162 is repealed and reenacted to read:

10 Sec. 44.83.162. POWER COST EQUALIZATION. (a) The power cost  
11 equalization fund is established as a separate fund for the purpose of  
12 equalizing power cost per kilowatt-hour statewide at a cost close or  
13 equal to the mean of the cost per kilowatt-hour in Anchorage,  
14 Fairbanks, and Juneau by paying money from the fund to eligible  
15 electric utilities in the state. The fund shall be administered by  
16 the authority as a fund distinct from the other funds of the author-  
17 ity. The fund is composed of money appropriated for the purpose of  
18 providing power cost equalization to eligible electric utilities.

19 (b) The costs used to calculate the amount of power cost  
20 equalization for all electric utilities eligible under this section  
21 include all allowable costs, except return on equity, used by the  
22 commission to determine the revenue requirement for electric utilities  
23 subject to rate regulation under AS 42.05.010 - 42.05.721. The costs  
24 used in determining the power cost equalization per kilowatt-hour  
25 shall exclude any other type of assistance that reduces the customer's  
26 costs of power on a kilowatt-hour basis and that is provided to the  
27 electric utility within 60 days before the commission determines the  
28 power cost equalization per kilowatt-hour of the electric utility.

29 (c) An eligible electric utility is entitled to receive power

1 cost equalization

2 (1) for sales of power to local community facilities,  
3 calculated in the aggregate for each community served by the electric  
4 utility, for actual consumption of not more than 70 kilowatt-hours per  
5 month for each resident of the community; and

6 (2) for actual consumption of not more than 750 kilowatt-  
7 hours per month sold to each customer in all classes served by the  
8 electric utility except to customers of the utility under (1) of this  
9 subsection.

10 (d) The amount of power cost equalization provided per kilowatt-  
11 hour under (c) of this section may not exceed 95 percent of the power  
12 costs, or the average rate per eligible kilowatt-hour sold, whichever  
13 is less, as determined by the commission. However,

14 (1) during the state fiscal year that begins July 1, 1984,  
15 the power costs for which power cost equalization may be paid to an  
16 electric utility are limited to minimum power costs of more than 8.5  
17 cents per kilowatt-hour;

18 (2) during each following state fiscal year, the power  
19 costs for which power cost equalization may be paid to an electric  
20 utility shall be adjusted by the commission, considering the rate of  
21 change in fuel cost and power demand; and

22 (3) the power cost equalization per kilowatt-hour may be  
23 determined for a utility without historical kilowatt-hour sales data  
24 by using kilowatt hours generated.

25 (e) An electric utility whose customers receive power cost  
26 equalization under this section shall set out in its tariff the rates  
27 without the power cost equalization and the amount of power cost  
28 equalization per kilowatt-hour sold. The rate charged to the customer  
29 shall be the difference between the two amounts. Power cost

1 equalization paid under this section shall be used to reduce the cost  
2 of all power sold to local community facilities, in the aggregate, to  
3 the extent of 70 kilowatt-hours per month per resident of the  
4 community, and to reduce the cost of the first 750 kilowatt-hours per  
5 customer per month for all other classes served by the electric  
6 utility.

7 (f) The power cost equalization program shall be administered by  
8 the authority based on a determination by the commission under (b) and  
9 (d) of this section of power cost equalization per kilowatt-hour for  
10 each eligible electric utility.

11 (g) An eligible electric utility may not be denied power cost  
12 equalization because complete cost information is not available. An  
13 eligible electric utility that is exempt from rate regulation under  
14 AS 42.05.010 - 42.05.721 shall be assisted by the commission to pro-  
15 vide the cost information the commission considers necessary to comply  
16 with the requirements of this section. Only power costs that are  
17 supportable may be considered in calculating power cost equalization.  
18 Each electric utility is responsible for keeping records that provide  
19 the information necessary to comply with the requirements of this  
20 section including, but not limited to, records of monthly kilowatt-  
21 hour sales or generation, monthly fuel balances, fuel purchases, and  
22 monthly utility fuel consumption.

23 (h) For each eligible electric utility, the determination of the  
24 cost of fuel by the commission shall be in accordance with the proce-  
25 dure for approving fuel cost rate adjustments of electric utilities  
26 subject to rate regulation under AS 42.05.010 - 42.05.721.

27 (i) Each electric utility receiving power cost equalization ap-  
28 proved by the commission shall

29 (1) report monthly to the authority within the time and in  
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1 the form the authority requires; and

2 (2) use operational equipment designed to meter individual  
3 utility customer power consumption and to determine and record the  
4 utility's overall fuel consumption.

5 (j) The authority shall review the report required under (i)(1)  
6 of this section and may submit the report to the commission for addi-  
7 tional review before payment. After review and approval of the report  
8 by the authority, the authority shall, subject to appropriation, pay  
9 to each eligible electric utility an amount equal to the power cost  
10 equalization per kilowatt-hour determined by the commission under (b)  
11 and (d) of this section, multiplied by the number of kilowatt-hours  
12 eligible for power cost equalization that were sold during the  
13 preceding month to all customers of the utility in accordance with (c)  
14 of this section. Payment shall be made by the authority within 30 days  
15 after receipt from the utility of the report required under (i) of  
16 this section. However, if there is a dispute between the authority  
17 and the utility relating to the payment, the authority shall submit  
18 the report to the commission for review within 30 days after its  
19 receipt by the authority. When a report is submitted to the  
20 commission for review under this section, payment shall be made by the  
21 authority within 30 days after submission, based on a commission  
22 determination. If appropriations are insufficient for payment in  
23 full, the amount paid to each electric utility is reduced on a pro  
24 rata basis.

25 (k) If an electric utility receives power cost equalization  
26 under this section, the utility shall either

27 (1) give the following notice to its electric service  
28 customers eligible under this program for each period for which the  
29 payment is received:

1 NOTICE TO CUSTOMER

2 For the current billing period the utility will be paid under the  
3 State of Alaska's power cost equalization program (AS 44.83.162) to  
4 assist the utility and its customers in reducing the high cost of  
5 generation of electric energy.

6 Your total electrical service cost \$. . . . .  
7 Less state equalization \$. . . . .  
8 Your charge \$. . . . .; or

9 (2) give to its electric service customers a notice ap-  
10 proved by the authority, which notice provides electric service cus-  
11 tomers the same information provided by the notice in (1) of this  
12 subsection.

13 (1) In order to qualify for power cost equalization, each  
14 electric utility must make every reasonable effort to minimize  
15 administrative, operating, and overhead costs, including using the  
16 best available technology consistent with sound utility management  
17 practices. In reviewing applications for power cost equalization, the  
18 commission has the authority to require the elimination of duplicative  
19 or otherwise unnecessary operating expenses. Each eligible electric  
20 utility shall cooperate with appropriate state agencies to implement  
21 cost-effective energy conservation measures, and to plan for and  
22 implement feasible alternatives to diesel generation.

23 (m) For purposes of (c) of this section, the number of residents  
24 of the community equals the number of residents of the community  
25 determined by the Department of Community and Regional Affairs in  
26 accordance with AS 29.88.015.

27 (n) In this section

28 (1) "commission" means the Alaska Public Utilities Commis-  
29 sion;  
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1 (2) "community facility" means a water and sewer facility,  
2 public outdoor lighting, charitable educational facility, or community  
3 building whose operations are not paid for by the state, the federal  
4 government, or private commercial interests;

5 (3) "eligible electric utility" or "electric utility" means

6 (A) each corporation (whether public, cooperative, or  
7 otherwise), company, individual, or association of individuals,  
8 their lessees, trustees, or receivers appointed by a court, that  
9 owns, operates, manages, or controls a plant or system for the  
10 furnishing, by generation, transmission or distribution, of  
11 electric service to the public for compensation; and

12 (B) during calendar year 1983 had a consumption level  
13 of less than 7,500 megawatt hours and received assistance under  
14 this chapter or less than 15,000 megawatt hours and received  
15 assistance under this chapter if the utility served two or more  
16 municipalities or unincorporated communities; and

17 (C) uses diesel-fired generators to produce more than  
18 75 percent of the electrical consumption of the utility; or

19 (D) nothing in this section precludes a new or  
20 existing utility from applying for assistance if they meet the  
21 requirements in (n)(3)(A)-(C).

22 (4) "energy conservation measures" include weatherization  
23 and other insulating methods, utilization of waste heat, appropriate  
24 sizing of new generating equipment, and other programs of the state or  
25 federal government intended and available for the purpose of energy  
26 conservation;

27 (5) "feasible energy projects" include projects that are  
28 selected after a field reconnaissance study under AS 44.83.177 and  
29 after completion of a feasibility study according to the criteria in

1 AS 44.83.181 to determine cost benefit in comparison to existing power  
2 generating methods and other alternatives considered in reconnaissance  
3 studies;

4 (6) "fund" means the power cost equalization fund  
5 established under (a) of this section;

6 (7) "power costs" means costs used in determining power  
7 cost equalization in accordance with (b) and (d) of this section.

8 (o) If the authority receives a petition requesting power cost  
9 equalization, signed by at least 25 percent of the customers of an  
10 electric utility that is subject to rate regulation under AS 42.05 and  
11 that has not applied for power cost equalization under this section,  
12 the authority shall require the utility to submit a power cost equali-  
13 zation application. Upon a determination of eligibility for power  
14 cost equalization, the utility, as a part of its service, shall re-  
15 ceive power cost equalization and pass power cost equalization bene-  
16 fits to its customers in accordance with this section.

17 \* Sec. 2. AS 44.83.163 is amended to read:

18 Sec. 44.83.163. ADJUSTMENTS TO POWER COST EQUALIZATION [ASSIST-  
19 ANCE]. (a) The power cost equalization [ASSISTANCE] per kilowatt-  
20 hour determined under AS 44.83.162 payable to an electric utility that  
21 is subject to rate regulation under AS 42.05 may be adjusted by the  
22 commission if

23 (1) an increase or decrease in the electric utility's cost  
24 of fuel has resulted in the approval of a fuel cost rate adjustment by  
25 the commission;

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

29 (3) an adjustment is required after the authority has

1 discovered discrepancies in its review of monthly data submitted by  
2 the electric utility; or

3 (4) the authority determines that appropriations are insuf-  
4 ficient to finance full payments to eligible electric utilities.

5 (b) An electric utility that is eligible to receive power cost  
6 equalization [ASSISTANCE] under this section and that receives power  
7 cost equalization [ASSISTANCE] per kilowatt-hour approved by the  
8 commission shall report monthly to the authority within the time and  
9 in the form the authority requires. An electric utility shall report

10 (1) the power cost equalization [ASSISTANCE] per kilowatt-  
11 hour approved by the commission;

12 (2) the total kilowatt-hours sold to each class of customer  
13 during the preceding month;

14 (3) the total kilowatt-hours eligible for power cost  
15 equalization [ASSISTANCE] under this section sold to each class of  
16 customer during the preceding month;

17 (4) the total kilowatt-hours generated during the preceding  
18 month, if available;

19 (5) any commission-approved amendments to the schedule of  
20 rates in effect during the preceding month; and

21 (6) an increase or decrease in the current unit price of  
22 fuel from the base price used by the commission in the determination  
23 of power costs which may be expected to result in a subsequent power  
24 cost equalization [ASSISTANCE] adjustment.

25 (c) The provisions of AS 44.83.162 relating to the determination  
26 of the amount of power cost equalization [ASSISTANCE] and payment of  
27 the equalization assistance apply to equalization assistance under  
28 this section.

29 \* Sec. 3. AS 44.83.164 is amended to read:

X HCSSB 376(2d Fin)

1           Sec. 44.83.164.   EQUALIZATION ASSISTANCE TO UTILITIES NOT  
2   REGULATED BY PUBLIC UTILITIES COMMISSION. (a) An electric utility  
3   that is not subject to rate regulation by the commission may receive  
4   power cost equalization [ASSISTANCE] if the utility is otherwise  
5   eligible for equalization assistance under AS 44.83.162 and if the  
6   utility

7           (1) files with the commission financial data necessary to  
8   determine the power cost equalization [ASSISTANCE] per kilowatt-hour  
9   as prescribed by the commission and that [WHICH] is in compliance with  
10   AS 44.83.162;

11           (2) reports monthly to the authority, within the time and  
12   in the form the authority requires, the information required in (b) of  
13   this section;

14           (3) sets rates

15           (A) that consider the power cost equalization [ASSIST-  
16   ANCE] provided under AS 44.83.162 by subtracting from its revenue  
17   requirements for electric services the power cost equalization  
18   [ASSISTANCE] per kilowatt-hour that it is eligible to receive;  
19   and

20           (B) under which the power cost equalization [ASSIST-  
21   ANCE] provided in AS 44.83.162 is applied as a credit only  
22   against the cost of kilowatt-hours eligible for equalization  
23   assistance under AS 44.83.162 that are consumed by each customer  
24   in any month;

25           (4) allows audits that the commission determines are neces-  
26   sary to ensure [INSURE] compliance with this section; and

27           (5) furnishes its electric service customers eligible under  
28   this program a notice as specified in AS 44.83.162(k).

29           (b) An electric utility that is eligible to receive power cost  
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1 equalization [ASSISTANCE] under this section shall report in accor-  
2 dance with (a)(2) of this section

3 (1) the power cost equalization [ASSISTANCE] per kilowatt-  
4 hour approved by the commission;

5 (2) the total kilowatt-hours sold to each class of customer  
6 during the preceding month;

7 (3) the total kilowatt-hours eligible for power cost  
8 equalization [ASSISTANCE] under this section sold to each class of  
9 customer during the preceding month;

10 (4) the total kilowatt-hours generated during the preceding  
11 month, if available;

12 (5) any amendments to the schedule of rates in effect  
13 during the preceding month; and

14 (6) an increase or decrease in the current unit price of  
15 fuel from the base price used by the commission in the determination  
16 of power costs that [WHICH] may be expected to result in a subsequent  
17 equalization assistance level adjustment.

18 (c) An electric utility that is eligible to receive power cost  
19 equalization [ASSISTANCE] under this section may have its power cost  
20 equalization [ASSISTANCE] per kilowatt-hour determination changed by  
21 the commission if

22 (1) an increase or decrease in the electric utility's cost  
23 of fuel has been verified by the commission;

24 (2) an increase in rates has occurred based on an increase  
25 in costs and has been verified by the commission;

26 (3) an adjustment is required after the authority has  
27 discovered discrepancies in its review of monthly data submitted by  
28 the electric utility; or

29 (4) the authority determines that appropriations are

1 insufficient to finance full payments to eligible electric utilities.

2 (d) The provisions of AS 44.83.162 relating to the determination  
3 of the amount of power cost equalization [ASSISTANCE] and payment of  
4 the equalization assistance apply to equalization assistance under  
5 this section.

6 (e) An application for power cost equalization [ASSISTANCE] by  
7 an electric utility that is eligible to receive power cost equaliza-  
8 tion [ASSISTANCE] under this section does not extend the jurisdiction  
9 of the commission beyond that established by AS 42.05.010 - 42.05.721.

10 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
11 10.070(c).