

Offered: 5/25/84  
Referred: Rules

Original sponsors: Sackett and Ferguson

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 HOUSE CS FOR SENATE BILL NO. 376 (3d 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 AS 44.83.162 is repealed and reenacted to read:  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 elec-  
15 tric utilities in the state. The fund shall be administered by the  
16 authority as a fund distinct from the other funds of the authority.  
17 The fund is composed of money appropriated for the purpose of provid-  
18 ing power cost equalization to eligible electric utilities.  
19 (b) The costs used to calculate the amount of power cost equal-  
20 ization for all electric utilities eligible under this section include  
21 all allowable costs, except return on equity, used by the commission  
22 to determine the revenue requirement for electric utilities subject to  
23 rate regulation under AS 42.05.010 - 42.05.721. The costs used in  
24 determining the power cost equalization per kilowatt-hour shall ex-  
25 clude any other type of assistance that reduces the customer's costs  
26 of power on a kilowatt-hour basis and that is provided to the electric  
27 utility within 60 days before the commission determines the power cost  
28 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 fiscal year that begins July 1, 1984 the  
15 power costs for which power cost equalization may be paid to an elec-  
16 tric utility are limited to minimum power costs of more than 8.5 cents  
17 per kilowatt-hour and less than 52.5 cents per kilowatt-hour;

18 (2) during each following fiscal year, the power costs for  
19 which power cost equalization may be paid to an electric utility are  
20 limited to

21 (A) power costs of less than 52.5 cents per kilowatt-  
22 hour specified in (1) of this subsection plus one cent per kilowatt-  
23 hour for the fiscal year ending June 30, 1986, plus one cent per  
24 kilowatt-hour for each fiscal year thereafter; and

25 (B) power costs that are greater than the minimum  
26 power cost of 8.5 cents per kilowatt-hour specified in (1) of this  
27 subsection; and

28 (3) during each following state fiscal year, the power  
29 costs for which power cost equalization may be paid to an electric

1 utility shall be adjusted by the commission, considering the rate of  
2 change in fuel cost and power demand; and

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

6 (e) An electric utility whose customers receive power cost  
7 equalization under this section shall set out in its tariff the rates  
8 without the power cost equalization and the amount of power cost  
9 equalization per kilowatt-hour sold. The rate charged to the customer  
10 shall be the difference between the two amounts. Power cost equaliza-  
11 tion paid under this section shall be used to reduce the cost of all  
12 power sold to local community facilities, in the aggregate, to the  
13 extent of 70 kilowatt-hours per month per resident of the community,  
14 and to reduce the cost of the first 750 kilowatt-hours per customer  
15 per month for all other classes served by the electric utility.

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

20 (g) An eligible electric utility may not be denied power cost  
21 equalization because complete cost information is not available. An  
22 eligible electric utility that is exempt from rate regulation under  
23 AS 42.05.010 - 42.05.721 shall be assisted by the commission to pro-  
24 vide the cost information the commission considers necessary to comply  
25 with the requirements of this section. Only power costs that are  
26 supportable may be considered in calculating power cost equalization.  
27 Each electric utility is responsible for keeping records that provide  
28 the information necessary to comply with the requirements of this  
29 section including, but not limited to, records of monthly kilowatt-

1 hour sales or generation, monthly fuel balances, fuel purchases, and  
2 monthly utility fuel consumption.

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

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

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

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

14 (j) The authority shall review the report required under (i)(1)  
15 of this section and may submit the report to the commission for addi-  
16 tional review before payment. After review and approval of the report  
17 by the authority, the authority shall, subject to appropriation, pay  
18 to each eligible electric utility an amount equal to the power cost  
19 equalization per kilowatt-hour determined by the commission under (b)  
20 and (d) of this section, multiplied by the number of kilowatt-hours  
21 eligible for power cost equalization that were sold during the preced-  
22 ing month to all customers of the utility in accordance with (c) of  
23 this section. Payment shall be made by the authority within 30 days  
24 after receipt from the utility of the report required under (i) of  
25 this section. However, if there is a dispute between the authority  
26 and the utility relating to the payment, the authority shall submit  
27 the report to the commission for review within 30 days after its  
28 receipt by the authority. When a report is submitted to the commis-  
29 sion for review under this section, payment shall be made by the

1 authority within 30 days after submission, based on a commission  
2 determination. If appropriations are insufficient for payment in  
3 full, the amount paid to each electric utility is reduced on a pro  
4 rata basis.

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

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

10 NOTICE TO CUSTOMER

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

15 Your total electrical service cost	\$ . . . . .
16 Less state equalization	\$ . . . . .
17 Your charge	\$ . . . . .; or

18 (2) give to its electric service customers a notice ap-  
19 proved by the authority, which notice provides electric service cus-  
20 tomers the same information provided by the notice in (1) of this  
21 subsection.

22 (1) In order to qualify for power cost equalization, each elec-  
23 tric utility must make every reasonable effort to minimize administra-  
24 tive, operating, and overhead costs, including using the best avail-  
25 able technology consistent with sound utility management practices.  
26 In reviewing applications for power cost equalization, the commission  
27 has the authority to require the elimination of duplicative or other-  
28 wise unnecessary operating expenses. Each eligible electric utility  
29 shall cooperate with appropriate state agencies to implement cost-

1 effective energy conservation measures, and to plan for and implement  
2 feasible alternatives to diesel generation.

3 (m) For purposes of (c) of this section, the number of residents  
4 of the community equals the number of residents of the community  
5 determined by the Department of Community and Regional Affairs in  
6 accordance with AS 29.88.015.

7 (n) In this section

8 (1) "commission" means the Alaska Public Utilities Commis-  
9 sion;

10 (2) "community facility" means a water and sewer facility,  
11 public outdoor lighting, charitable educational facility, or community  
12 building whose operations are not paid for by the state, the federal  
13 government, or private commercial interests;

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

15 (A) each corporation (whether public, cooperative, or  
16 otherwise), company, individual, or association of individuals,  
17 their lessees, trustees, or receivers appointed by a court, that  
18 owns, operates, manages, or controls a plant or system for the  
19 furnishing, by generation, transmission or distribution, of  
20 electric service to the public for compensation; and

21 (B) during calendar year 1983 had a residential con-  
22 sumption level of power eligible for power cost equalization  
23 under this chapter of less than 7,500 megawatt hours or had a  
24 residential consumption level of power eligible for power cost  
25 equalization under this chapter of less than 15,000 megawatt  
26 hours if the utility served two or more municipalities or unin-  
27 corporated communities; and

28 (C) uses diesel-fired generators to produce more than  
29 75 percent of the electrical consumption of the utility; or

1 (D) nothing in this section precludes a new or exist-  
2 ting utility from applying for assistance if they meet the re-  
3 quirements in (n)(1)(A)-(C).

4 (4) "energy conservation measures" include weatherization  
5 and other insulating methods, utilization of waste heat, appropriate  
6 sizing of new generating equipment, and other programs of the state or  
7 federal government intended and available for the purpose of energy  
8 conservation;

9 (5) "feasible energy projects" include projects that are  
10 selected after a field reconnaissance study under AS 44.83.177 and  
11 after completion of a feasibility study according to the criteria in  
12 AS 44.83.181 to determine cost benefit in comparison to existing power  
13 generating methods and other alternatives considered in reconnaissance  
14 studies;

15 (6) "fund" means the power cost equalization fund estab-  
16 lished under (a) of this section;

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

19 (o) If the authority receives a petition requesting power cost  
20 equalization, signed by at least 25 percent of the customers of an  
21 electric utility that is subject to rate regulation under AS 42.05 and  
22 that has not applied for power cost equalization under this section,  
23 the authority shall require the utility to submit a power cost equali-  
24 zation application. Upon a determination of eligibility for power  
25 cost equalization, the utility, as a part of its service, shall re-  
26 ceive power cost equalization and pass power cost equalization bene-  
27 fits to its customers in accordance with this section.

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

29 Sec. 44.83.163. ADJUSTMENTS TO POWER COST EQUALIZATION

1 [ASSISTANCE]. (a) The power cost equalization [ASSISTANCE] per  
2 kilowatt-hour determined under AS 44.83.162 payable to an electric  
3 utility that is subject to rate regulation under AS 42.05 may be  
4 adjusted by the commission if

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

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

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

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

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

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

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

25 (3) the total kilowatt-hours eligible for power cost equal-  
26 ization [ASSISTANCE] under this section sold to each class of customer  
27 during the preceding month;

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

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

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

7           (c) The provisions of AS 44.83.162 relating to the determination  
8 of the amount of power cost equalization [ASSISTANCE] and payment of  
9 the equalization assistance apply to equalization assistance under  
10 this section.

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

12           Sec. 44.83.164. EQUALIZATION ASSISTANCE TO UTILITIES NOT REGU-  
13 LATED BY PUBLIC UTILITIES COMMISSION. (a) An electric utility that  
14 is not subject to rate regulation by the commission may receive power  
15 cost equalization [ASSISTANCE] if the utility is otherwise eligible  
16 for equalization assistance under AS 44.83.162 and if the utility

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

21           (2) reports monthly to the authority, within the time and  
22 in the form the authority requires, the information required in (b) of  
23 this section;

24           (3) sets rates

25           (A) that consider the power cost equalization [ASSIST-  
26 ANCE] provided under AS 44.83.162 by subtracting from its revenue  
27 requirements for electric services the power cost equalization  
28 [ASSISTANCE] per kilowatt-hour that it is eligible to receive;  
29 and

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

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

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

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

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

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

17 (3) the total kilowatt-hours eligible for power cost equal-  
18 ization [ASSISTANCE] under this section sold to each class of customer  
19 during the preceding month;

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

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

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

28 (c) An electric utility that is eligible to receive power cost  
29 equalization [ASSISTANCE] under this section may have its power cost

1       equalization [ASSISTANCE] per kilowatt-hour determination changed by  
2       the commission if

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

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

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

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

12              (d) The provisions of AS 44.83.162 relating to the determination  
13       of the amount of power cost equalization [ASSISTANCE] and payment of  
14       the equalization assistance apply to equalization assistance under  
15       this section.

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

20       \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
21       10.070(c).