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Referred: Rules

Original sponsors: Sackett and Ferguson

1 IN THE SENATE BY THE RULES COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 376 (Rules)

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 AS 44.83.162 is repealed and reenacted to read: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 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 and less than 52.5 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

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 preced-
13 ing month to all customers of the utility in accordance with (c) of
14 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 commis-
20 sion 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:

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NOTICE TO CUSTOMER

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

Your total electrical service cost	\$
Less state equalization	\$
Your charge	\$; or

(2) give to its electric service customers a notice approved by the authority, which notice provides electric service customers the same information provided by the notice in (1) of this subsection.

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

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

(n) If the authority receives a petition requesting power cost equalization, signed by at least 25 percent of the customers of an electric utility that is subject to rate regulation under AS 42.05 and

1 that has not applied for power cost equalization under this section,
2 the authority shall require the utility to submit a power cost equali-
3 zation application. Upon a determination of eligibility for power
4 cost equalization, the utility, as a part of its service, shall re-
5 ceive power cost equalization and pass power cost equalization bene-
6 fits to its customers in accordance with this section.

7 (o) 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 each corporation (whether public, cooperative, or otherwise), company,
16 individual, or association of individuals, their lessees, trustees, or
17 receivers appointed by a court, that (A) owns, operates, manages, or
18 controls a plant or system for the furnishing, by generation, trans-
19 mission or distribution, of electric service to the public for compen-
20 sation; (B) during calendar year 1983 had a residential consumption
21 level of power eligible for power cost equalization under this chapter
22 of less than 7,500 megawatt hours or had a residential consumption
23 level of power eligible for power cost equalization under this chapter
24 of less than 15,000 megawatt hours if the utility served two or more
25 municipalities or unincorporated communities; and (C) uses
26 diesel-fired generators to produce more than 75 percent of the
27 electrical consumption of the utility; an electric utility that is a
28 subsidiary of another electric utility is an "eligible electric
29 utility" if the operations of the subsidiary, considered separately,

1 meet the eligibility requirements of this section; if an electric
2 utility did not receive power cost assistance in 1983 but is otherwise
3 eligible for power cost equalization under this section, the utility
4 is an "eligible electric utility";

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

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

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

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

20 * Sec. 2. AS 44.83.163 is amended to read:

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

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

29 (2) a permanent or interim rate increase or decrease has

1 been approved by the commission, thereby establishing a higher or
2 lower power cost;

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

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

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

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 commission-approved amendments to the schedule of
23 rates in effect 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 which may be expected to result in a subsequent power
27 cost equalization [ASSISTANCE] adjustment.

28 (c) The provisions of AS 44.83.162 relating to the determination
29 of the amount of power cost equalization [ASSISTANCE] and payment of

1 the equalization assistance apply to equalization assistance under
2 this section.

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

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

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

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

16 (3) sets rates

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

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

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

29 (5) furnishes its electric service customers eligible under

1 this program a notice as specified in AS 44.83.162(k).

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

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

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

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

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

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

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

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

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

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

28 (3) an adjustment is required after the authority has
29 discovered discrepancies in its review of monthly data submitted by

1 the electric utility; or

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

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

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

12 * Sec. 4. This Act takes effect October 1, 1984.