

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE LABOR AND
COMMERCE COMMITTEE
2 CS FOR HOUSE BILL NO. 182 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the power cost equalization
7 program."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. FINDINGS. The legislature finds that
10 (1) the power cost equalization program has substantially im-
11 proved the health, safety, and quality of life in rural parts of the state;
12 (2) the cost of electricity in rural parts of the state is
13 substantially higher than the cost in the rest of the state;
14 (3) rural parts of the state rely less on a cash economy and
15 therefore rural residents may have more difficulty paying cash for high
16 energy costs;
17 (4) access to a certain level of electric power at affordable
18 rates is a basic right and necessity in the state;
19 (5) the power cost equalization program has allowed many more
20 rural state residents access to electric power at affordable rates than
21 before the program was available;
22 (6) most electricity in rural parts of the state is generated by
23 diesel generators that operate efficiently only at full capacity;
24 (7) an electric utility needs a certain demand for power to
25 operate efficiently and the power cost equalization program has helped
26 create this "critical mass" of demand in rural areas of the state;
27 (8) by providing a stable demand, the power cost equalization
28 program has enabled rural electric utilities to substantially improve the
29 efficiency of their operations through energy conservation, more efficient

1 generation, and improvements in end-use technology;

2 (9) the average household use of energy has not increased under
3 the power cost equalization program, although the number of new households
4 hooked up to electricity has increased;

5 (10) efficient generation and use of electrical power in rural
6 parts of the state is dependent on power usage by residential, commercial,
7 and community facility customers; representatives of rural electric util-
8 ities believe that elimination or substantial curtailment of the power cost
9 equalization subsidy for commercial users would force commercial users to
10 operate their own gasoline generators to provide their own electric power
11 and would therefore reduce the "critical mass" necessary for the electric
12 utility to operate economically;

13 (11) although the power cost equalization program has been suc-
14 cessful in providing electricity at affordable rates to consumers, without
15 leading to waste of energy resources, the current fiscal limitations in the
16 state require a reduction in many state programs and services, including
17 the power cost equalization program;

18 (12) if a reduction to the power cost equalization program is
19 necessary, it is better to accomplish the reduction by reducing the amount
20 of subsidy for each consumer and continuing to provide service under the
21 program to the largest number of consumers possible.

22 * Sec. 2. AS 44.83.162(c) is amended to read:

23 (c) An eligible electric utility is entitled to receive power
24 cost equalization for actual consumption to the extent allowed under
25 (e) of this section for sales of power to

26 (1) [FOR SALES OF POWER TO] local community facilities,
27 calculated in the aggregate for each community served by the electric
28 utility [, FOR ACTUAL CONSUMPTION OF NOT MORE THAN 70 KILOWATT-HOURS
29 PER MONTH FOR EACH RESIDENT OF THE COMMUNITY]; and

1 (2) [FOR ACTUAL CONSUMPTION OF NOT MORE THAN 750 KILOWATT-
2 HOURS PER MONTH SOLD TO] each customer in all classes served by the
3 electric utility except to customers of the utility under (1) of this
4 subsection.

5 * Sec. 3. AS 44.83.162(e) is amended to read:

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 50 [70] kilowatt-hours per month per resident of the commu-
14 nity, and, in fiscal year 1988, to reduce the cost of the first 500
15 [750] kilowatt-hours per customer per month for all other classes
16 served by the electric utility. The subsidy for those classes shall
17 be reduced each year, beginning in fiscal year 1989, by 50 kilowatt-
18 hours per customer per month until the maximum subsidy is based on the
19 first 250 kilowatt-hours per customer per month for those classes.
20 Access to at least 250 kilowatt-hours per month at an affordable rate
21 is a basic right for each customer.

22 * Sec. 4. AS 44.83.162(j) is amended to read:

23 (j) The authority shall review the report required under (i)(1)
24 of this section and may submit the report to the commission for addi-
25 tional review before payment. After review and approval of the report
26 by the authority, the authority shall, subject to appropriation, pay
27 to each eligible electric utility an amount equal to the power cost
28 equalization per kilowatt-hour determined by the commission under (b)
29 and (d) of this section, multiplied by the number of kilowatt-hours

1 eligible for power cost equalization that were sold during the preced-
2 ing month to all customers of the utility in accordance with (c) of
3 this section. Payment shall be made by the authority within 30 days
4 after receipt from the utility of the report required under (i) of
5 this section. However, if there is a dispute between the authority
6 and the utility relating to the payment, the authority shall submit
7 the report to the commission for review within 30 days after its
8 receipt by the authority. When a report is submitted to the commis-
9 sion for review under this section, payment shall be made by the
10 authority within 30 days after submission, based on a commission
11 determination. If the authority determines that appropriations are
12 insufficient for payment in full, the amount paid to each electric
13 utility must fully fund, in descending order, residential customers,
14 community facilities, and commercial facilities until the appropria-
15 tion is fully spent. If the appropriation is insufficient for payment
16 in full to a class of eligible customers, the amount paid to customers
17 in that class must be [IS] reduced on a pro rata basis.

18 * Sec. 5. AS 44.83.162(k) is amended to read:

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

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

24 NOTICE TO CUSTOMER

25 For the current billing period the utility will be paid under the
26 State of Alaska's power cost equalization program (AS 44.83.162) an
27 amount to assist the utility and its customers in reducing the high
28 cost of generation of electric energy. For electric energy consumed
29 by residential customers and private commercial customers, this state

1 payment applies only to the first (insert appropriate amount) kilo-
2 watt-hours per month used by each customer. For electric energy sold
3 to local community facilities, this state payment applies to the total
4 number of kilowatt-hours used each month by all such facilities in the
5 community, up to a maximum of 50 kilowatt-hours, multiplied by the
6 number of residents in the community.

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

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

15 * Sec. 6. AS 44.83.162(o)(2) is amended to read:

16 (2) "community facility" means a facility essential to the
17 public health, safety, and welfare of the community, and includes a
18 water and sewer facility, public outdoor lighting including lighting
19 for a community-owned airport strip or harbor, a community washeteria
20 or freezer, a community volunteer firehall, a community health clinic,
21 a village public safety office, a [,] charitable educational facility,
22 or a community building whose operations are not paid for by the
23 state, the federal government, or private commercial interests;

24 * Sec. 7. AS 44.83.163(a) is amended to read:

25 (a) The power cost equalization per kilowatt-hour determined
26 under AS 44.83.162 payable to an electric utility that is subject to
27 rate regulation under AS 42.05 may be adjusted by the commission if

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

1 the commission;

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

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

8 (4) THE AUTHORITY DETERMINES THAT APPROPRIATIONS ARE INSUF-
9 FICIENT TO FINANCE FULL PAYMENTS TO ELIGIBLE ELECTRIC UTILITIES].