

COMMITTEE REPORT

HOUSE

FURTHER:

3/11/81

(11)

Date: 3-24-81

Mr. Speaker:

The Committee on FINANCE has had CSSB 174(Fin)

"An Act making supplemental appropriations to the Alaska Power Authority; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
 do pass with attached amendments(s)
 replace with HCS for CSSB 174(FINANCE) same title
and recommends "to pass" new title
 AND attaches a "Letter of Intent" New Fiscal Note
 reports it back without recommendation
 referred to the _____ Committee

MEMBERS SIGNING DO PASS

[Signature]
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MEMBERS HAVING OTHER RECOMMENDATIONS:

[Signature]
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[Signature]
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CHAIRMAN

Original sponsor: Ferguson

Funding Information

| | |
|--------------|--------------------|
| General Fund | \$3,831,000 |
| Other Funds | -0- |
| | <u>\$3,831,000</u> |

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 174 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making supplemental appropriations to the
7 Alaska Power Authority; and providing for an effective
8 date."

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

10 * Section 1. The sum of \$1,170,000 is appropriated from the general fund
11 to the Alaska Power Authority, power production cost assistance fund (AS 44.-
12 83.162), to cover costs of the power production cost assistance program for
13 the fiscal year ending June 30, 1981.

14 * Sec. 2. The sum of \$2,540,000 is appropriated from the general fund to
15 the Alaska Power Authority for the study of the Susitna River hydroelectric
16 project for the fiscal year ending June 30, 1981.

17 * Sec. 3. The sum of \$121,000 is appropriated from the general fund to
18 the Alaska Power Authority to finance new positions and associated costs for
19 the fiscal year ending June 30, 1981.

20 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

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HOUSE JOURNAL

LETTER OF INTENT

HCS for CSSB 174 (Finance)

The House Finance Committee has had under consideration CSSB 174 and has amended Sec. 1. to include additional funding for the Power Production Cost Assistance Program.

It is the intent of the Committee that the Power Production Cost Assistance Program provide full assistance to eligible customers of participating utilities for FY 1981. A utility which received a reduced amount of assistance for service provided in March or April, 1981, based upon a finding by the Alaska Power Authority or the Alaska Public Utilities Commission that available funds were inadequate for payment of the full assistance for which that utility would otherwise have been eligible, shall receive reimbursement for the amount of that reduction. This reimbursement shall be provided to the eligible consumers of the utility in the next available billing.

Respectfully submitted,



Rep. Sam Cotten, Chairman
House Finance Committee

Original sponsor: Ferguson

| | |
|----------------------------|--------------------|
| <u>Funding Information</u> | |
| General Fund | \$3,590,000 |
| Other Funds | -0- |
| | <u>\$3,590,000</u> |

Offered: 3/4/81
Referred: Rules

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 174 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making supplemental appropriations to the
7 Alaska Power Authority; and providing for an effective
8 date."

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

10 * Section 1. The sum of \$1,050,000 is appropriated from the general fund
11 to the Alaska Power Authority, power production cost assistance fund (AS 44.-
12 83.162), to cover costs of the power production cost assistance program for
13 the fiscal year ending June 30, 1981

14 * Sec. 2. The sum of \$2,540,000 is appropriated from the general fund to
15 the Alaska Power Authority for the study of the Susitna River hydroelectric
16 project for the fiscal year ending June 30, 1981.

17 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

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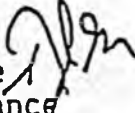
BUDGET AND MANAGEMENT

TO: Mr. Richard Aks
Division of Budget & Management
Office of the Governor

DATE: February 17, 1981

FILE NO:

TELEPHONE NO:

FROM: Terry J. McGuire 
Director of Finance
Alaska Power Authority.

SUBJECT: Susitna Hydroelectric
Project

Attached is a copy of a letter recently received from Acres American Incorporated, principal contractor for the Susitna studies. The amount allocated to Acres and subcontractors does not include funds for Power Authority staff and other direct contracts with the Power Authority, or funds RSA'd to the Department of Fish and Game. The memo illustrates the need for the FY'81 supplemental funding request of the Power Authority.

Attachment:
as noted



FEB 10 1981

BUDGET AND MANAGEMENT

February 4, 1981

P5700.11

T.700

RECEIVED

FEB 11 1981

ALASKA POWER AUTHORITY

Mr. Eric P. Yould
Executive Director
Alaska Power Authority
333 West 4th Avenue
Suite 31
Anchorage, Alaska 99501

Dear Eric:

Susitna Hydroelectric Project
Limitation of Funds

As required in the contract Acres hereby notifies the Authority that within the next 60 days we will exceed the \$15,255,000 currently allotted by Mr. McGuire's letter of July 1, 1980.

Please allot additional funds as soon as possible so that the current schedule can be maintained.

Very truly yours,

David C. Willett
Vice President

DCW/ljr

ACRES AMERICAN INCORPORATED

ALASKA POWER AUTHORITY

33 WEST 41st AVENUE - SUITE 31 - ANCHORAGE, ALASKA 99501

Phone: (907) 277-7641
(907) 276-2715

July 21, 1980

RECEIVED

JUL 23 1980

Mr. Ron Lehr, Director
Division of Budget
& Management
Pouch AM
Juneau, Alaska 99811

Budget and Management

Re: FY'81 Supplemental Funding

Dear Mr. Lehr,

The Alaska Power Authority will be requesting supplemental funding for two programs for FY'81, the Susitna Feasibility Study and the Power Production Assistance Program. The Power Production Assistance Program request is for reinstatement of the FY'81 funds in the amount reduced by the Governor. The Susitna funding request includes a \$2.540 million supplemental FY'81 request and a \$13.019 FY'82 request as outlined in the attached cash flow projections. Explanations of items in the cash flow follows:

- A: (1) Excess liability insurance to include aircraft accident insurance purchased for the 2½ year period of the study. Item not identified programmed in the original budget estimate, but was subsequently determined to be necessary.
- (2) The U.S. Geological Survey withdrew federal funding from the stream gauging program for the Susitna basin after the budget estimate was completed. This action was not anticipated and it is a necessary activity which required a program funding addition.
- (3) System planning funds for compilation of a data base on system components were identified as necessary to maintain the schedule of the formulation and analysis of basin development plans leading to the Development Selection Report in March 1981. This activity was identified as a complication associated with deletion of power market and alternatives studies from the Acres contract, and as a duplication of work to be performed by the new Alternatives studies contractor.
- (4) Task 6 - Tussing Scope Changes - This activity and funding were identified as part of the program response to the comments of Arlon Tussing on the Plan of Study. This activity was not part of the power market and alternatives study which was

directed to be deleted from the Acres contract. This funding was appropriated to the Office of the Governor and retained for the Alternatives Study. Reference our letter to you dated June 25, 1980.

(5) Task 11 - Tussing Scope Changes - The comments in (4) above apply.

(6) Comments of FERC on the Plan of Study following preparation of the budget identified instream flow study activities that would be necessary before submission of the license application in Phase I. This work was originally planned to be accomplished in Phase II. A budget of \$125,000 for two years of work by Mr. Trihey, an expert in this area, was proposed as a necessary response to the FERC requirements.

(7) Comments of FERC on the Plan of Study following preparation of the budget established that the more data on fisheries available at the time of license submission, the greater the potential for acceptance. Therefore, resident and juvenile fishery studies and fishing habitat studies originally programmed for one year of study in Phase I and additional years in Phase II were advanced to include 2 years in Phase I and additional years in Phase II. The identified cost increase represents ADF&G increased costs associated with this work.

(8) and (9) ADF&G additional costs for salary increases and transportation cost increases. The budgets originally prepared did not reflect true negotiated salary rates for state employees in the original budget since they were unknown at that time. The budget increases for fisheries and Big Game are calculated exactly, however, they are for STEP A salaries for every position range. ADF&G does not feel that all positions can be filled at STEP A, and will try to stay within budget through turnover and hiring delays.

(10) Escalation on additional program study changes and additions.

B. The original budget estimate did not include any escalation of the Non-Discretionary Funding to include Native Inspector, External Review, Power Authority Study Coordination, and the Public Participation Program. Salary cost escalation is calculated based upon approved salary increases for exempt bargaining status employees which were unknown for the original budget preparation. External Review costs are escalated in accordance with the major Task budget escalation factor of 8½%/year.

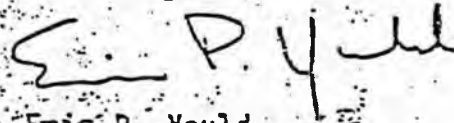
C. Major cost escalation has been experienced in all activities associated with logistical support of field study activities, principally in camp operations, fuel, fuel resupply, and transportation. Based upon costs incurred to date and identification of realistic requirements, additional funding for logistical support is estimated at \$900,000.

D.

The decision to submit a license application to FERC to construct the project will be made by approximately April 1, 1982. Phase I funding does not include field activities starting in the spring of 1982. Phase II field activities could begin in the spring of 1982 and continue on through the license application processing period. An estimated \$1.720 million is necessary to fund Phase II activities up to June 30, 1982. Included in this is bulk fuel purchase and transport to the field storage site which may have to be performed in January and February of 1982 in order to have an adequate field fuel supply to initiate Phase II field activities.

In summary, the Susitna program estimated cost for Phase I has increased from \$29.612 million to \$32.113 for the 2½ year study if the Phase II cost estimate requirements are not considered. This 8.45% increase is composed of \$1.29 million of Program Changes and Additions (4.45%), \$311,000 (1%) of escalation not calculated in the original budget estimate for activities administered by the Power Authority, and \$900,000 (3%) for increased requirements and extraordinary escalation associated with field logistical support requirements.

Sincerely,



Eric P. Yould
Executive Director

cc - Chuck Conway
Mr. Jerry Reinwand

TO: Ron Lehr, Director
Division of Budget & Management
Office of the Governor

DATE: September 30, 1980

FILE NO:

TELEPHONE NO:

277-7641

RECEIVED

FROM: Terry J. McGuire *TJM*
Director of Finance
Alaska Power Authority

SUBJECT: FY 1981 Supplemental
Funding

SEP 30 1980

ALASKA POWER AUTHORITY

The Alaska Power Authority is requesting supplemental funding for two programs for FY 1981, the Power Production Assistance Program and the Susitna Feasibility Study. The Power Production Assistance Program request is for reinstatement of the FY 1981 funds in the amount reduced by the Governor, \$1.4 million. The Susitna funding request is for \$2.540 million in supplemental funding during FY 1981.

The reinstatement of FY 1981 funding to the Power Production Assistance Program to the original level will permit the Power Authority to more fully satisfy the requirements specified in HCS CSSB 438, Article 3A, to reduce electric rates charged for residential service, service to charitable organizations and service to local community facilities. Under the PPA Program, all electric utilities in the State that satisfy specific eligibility requirements described in the legislation qualify for financial assistance from the Power Production Cost Assistance Fund. Unless supplemental funding is received by the Power Authority, the existing fund will be insufficient to satisfy the full FY 1981 requirements.

The supplemental funding requested for the Susitna Feasibility Study is due to several factors, shown below.

- A.1) Increased liability insurance and aircraft accident insurance purchased for the study. This item was not programmed in the original budget estimate, but was subsequently determined to be necessary.
- 2) After the original budget estimate was completed the U.S. Geologic Survey withdrew federal funding from the stream gaging program for the Susitna basin. This action was not anticipated and is a necessary activity which required a program funding addition.
- 3) Funds were identified as necessary to maintain the schedule of planning leading to the System Studies and Basin Development Selection Report in March 1981. This activity was identified as a complication associated with deletion of power market and alternative studies from the Acres contract.
- 4) Activities and funding were identified as part of the program response to the comments of Arlon Tussing on the Plan of Study. This activity, Tussing Task 6, was not part of the power market and alternatives study which was directed to be deleted from the Acres Contract. This funding was appropriated to the Office of the Governor and retained for the Alternatives Study (reference our letter to you, June 25, 1980). Activities and funding were also identified for the Tussing Scope Changes Task 11, to which our comments to Task 6 also apply.
- 5) Comments of FERC on the Plan of Study following budget preparation identified in-stream flow study activities that would be required before license application submission, in Phase I. This work was originally planned for Phase II.

TO: Ron Lehr

DATE: September 30, 1980

FILE NO:

TELEPHONE NO:

FROM: Terry J. McGuire *TJM*

SUBJECT:

Page 2 of 2

- 6) FERC comments on the Plan of Study, following preparation of the budget, established that the more detailed data available on fisheries at the time of license submission, the greater the potential for acceptance. Therefore, resident and juvenile fishery studies and fishing habitat studies, originally scheduled for one year during Phase I and additional years in Phase II, were advanced to include 2 years in Phase I and additional years in Phase II.
- 7) ADF&G additional costs for salary increases and transportation cost increases. The original budget did not reflect actual negotiated salary rates for state employees, since they were unknown at that time. The budget increases for Fisheries and Big Game are calculated exactly, however they are for Step A salaries for every position range. ADF&G does not feel that all positions can be filled at Step A, but will try to stay within budget through turnover and hiring delays.
8. The original budget estimate did not include any escalation of the Non-Discretionary Funding for the Native Inspector, External Review, Power Authority Study Coordination, and the Public Participation Program. Salary cost escalation is based upon approved salary increases for exempt bargaining status employees, which were unknown for the original budget preparation. External Review cost escalation is consistent with the major Task budget escalation factor of 8½%/year.
9. Major cost escalation has been experienced in all activities associated with logistical support of field study activities, principally in camp operations, fuel, fuel resupply, and transportation.

For a detailed cash flow projection of these factors and escalations on additional program study changes and additions, our letter to you of July 21, 1980 is attached.