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Article 4. Power Production Cost Assistance.**Section**

162. Power production cost assistance

164. Assistance to utilities not regulated
by public utilities commission

Article repealed effective July 1, 1980, repeals this article, effective July 1, 1985. — Sections 51 and 54, ch. 63, SLA 1985.

Sec. 44.83.162. Power production cost assistance [Repealed effective July 1, 1985]. (a) There is established as a separate fund to provide financial assistance to eligible electric utilities in the state, the power production cost assistance fund which shall be administered by the authority as a fund distinct from other funds of the authority and which is composed of money appropriated for the purpose of providing power production cost assistance to an eligible electric utility.

(b) Power production costs which may be paid from the power production cost assistance fund include

(1) production expenses for generating electricity, consisting of the costs of

- (A) operation supervision and engineering;
- (B) fuel, oil, gas, coal, and other thermal fuels;
- (C) generation expenses;
- (D) miscellaneous other power generation expenses;
- (E) rents;
- (F) maintenance supervision and engineering;
- (G) maintenance of structures;
- (H) maintenance of generating and electric plant; and
- (I) maintenance of miscellaneous other power generation;

(2) fixed costs relating to generating electricity, consisting of

- (A) depreciation of a generating plant and equipment;
- (B) taxes on a generating plant and equipment;
- (C) insurance on or attributable to a generating plant and equipment;
- (D) interest on indebtedness incurred for a generating plant and equipment;

(3) costs of purchased power, including but not limited to system control and load dispatching expenses;

(4) transmission expenses, consisting of

- (A) transmission operation supervision and engineering;
- (B) transmission load dispatching;
- (C) station expenses;

- (D) overhead line expenses;
- (E) underground line expenses;
- (F) transmission of electricity by others;
- (G) miscellaneous transmission expenses;
- (H) rents; and
- (I) maintenance costs for facilities associated with (A) — (E) of this paragraph; and

- (5) fixed costs relating to transmission, consisting of
 - (A) depreciation of transmission lines and equipment;
 - (B) taxes on transmission lines and equipment;
 - (C) insurance on or attributable to transmission lines and equipment; and
 - (D) interest on debt incurred for transmission lines and equipment.

~~(a) Power production cost assistance shall be paid to an eligible electric utility if the actual power production costs of the utility exceed its adjusted power production costs, as determined annually by the commission. The adjusted power production costs of an electric utility are~~

- ~~(1) 15 percent of the portion of the actual power production costs which does not exceed 40 cents per kilowatt hour; plus~~
- ~~(2) the base power production cost escalator; the base power production cost escalator is 7.65 cents per kilowatt hour adjusted annually by a percentage equal to the percentage of change in the Anchorage consumer price index for the year.~~

~~(d) An eligible electric utility may include as part of its revenue requirement for the purpose of setting rates charged for residential service, local community facilities service, and service to charitable organizations only the adjusted power production cost per kilowatt-hour sold.~~

(c) Power production cost assistance shall be paid to an eligible electric utility at the rate of 85 percent of the actual power production costs of the utility which exceed 10 cents per kilowatt hour but do not exceed 40 cents per kilowatt hour, as determined by the commission.

(d) An eligible electric utility shall credit the amount of its approved power production cost assistance for each kilowatt hour sold to residential consumers, local community facilities, and charitable organizations.

However, the utility's approved tariff shall show rates based on the actual cost of providing electric utility service and the state assistance derived from the power production cost assistance program under this section.

(e) The power production cost assistance program shall be administered by the authority based on a determination by the commission of ~~adjusted power production costs~~ ^{assistance for each eligible} for each electric utility eligible for power production cost assistance. An electric utility is eligible for power production cost assistance if

~~1) the actual power production costs of the utility exceed the adjusted power production costs, as determined by the commission under (c) of this section;~~ 10¢/KWH,

~~2) at least 15 percent of the total energy sold by an electric utility during the calendar year preceding the year in which power production cost assistance may be claimed was for residential use.~~

(f) The ~~adjusted power production cost~~ ^{cost} shall be calculated ~~annually~~ in the manner prescribed by (c) of this section and shall be based on the actual power production cost filed with the commission by each eligible

electric utility as verified by the commission. The power production cost shall be derived from financial data supporting the most recently approved permanent rate schedule with adjustments incorporating the current cost of fuel. The determination of the cost of fuel by the commission shall be in accordance with the procedure for approving fuel cost rate adjustments in effect at the time of the determination. The commission shall review filings and approve an adjusted power production cost ^{assistance} per kilowatt-hour and revised rates based on the approved adjusted power production cost per kilowatt-hour, as determined under (c) of this section. The commission may change the adjusted power production cost ^{assistance}.

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

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

(3) the authority has discovered discrepancies in its review of data submitted, monthly, by the utilities; *or*

~~(4) the authority determines that appropriations are insufficient to fund full payments to eligible utilities.~~

(g) Each electric utility with a ~~rate schedule and adjusted power production cost~~ ^{assistance} approved by the commission shall report monthly to the authority within the time and in the form the authority designates (1) the total actual power production costs of electric power including a detailed breakdown of those costs as specified by the commission; (2) the total kilowatt-hours sold during the preceding month; (3) the total kilowatt-hours sold during the preceding month for service eligible for power production cost assistance under this section; ~~(4) the total kilowatt-hours generated during the preceding month;~~ (5) the total power production cost per kilowatt-hour sold; ~~(6) the total power production cost per kilowatt-hour generated;~~ and (7) any increase or decrease in the current unit price of fuel from the base price used by the commission in the determination of power production costs. The authority shall review the report and may submit the report to the commission for additional review before payment.

(h) After review and approval by the authority, the authority shall, subject to appropriation, pay to each eligible electric utility an amount equal to the ^{approved} difference between the actual power production cost ^{assistance} for the preceding month and the ^{approved} adjusted power production cost per kilowatt-hour times the number of kilowatt-hours sold to residential customers, local community facility customers, and facilities owned by charitable organizations during the preceding month. Payment shall be made by the authority within 30 days of receipt from the utility of the report required under (g) of this section. However, if there is a dispute between the authority and the utility relating to the payment, the authority shall submit the report to the

commission within 30 days of receipt of the report by the authority for review before payment. When a report is submitted to the commission for review under this section, payment shall be made by the authority within 30 days after submission. If appropriations are insufficient for payment in full, the amount paid to each electric utility is reduced on a pro-rata basis.

(i) If an electric utility receives a payment under this section, the utility shall furnish the following notice to its electric service customers eligible under this program for each period for which the payment is received:

The following notice is the suggested format, and any variation from this format shall be similar in content and shall be approved by the authority:

NOTICE TO CUSTOMER *will be*

For the current billing period the utility ~~has been~~ paid under the State of Alaska's power production cost assistance 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 assistance	\$
Your charge	\$

(j) For the purpose of this section,

(1) the terms used in (b) (1) — (4) of this section are defined as those items are defined in a recognized system of utility accounts designated by the commission;

(2) actual power production costs are the expenses and costs prescribed in this subsection less any other power production cost assistance provided to the electric utility.

(k) In this section,

(1) "charitable organization" means an organization, not organized for pecuniary profit, which is operated for the relief of poverty, distress, or other condition of public concern in the state; the term includes, but is not limited to, a church or religious organization;

(2) "commission" means the Alaska Public Utilities Commission;

(3) "local community facilities" means water and sewer facilities, public outdoor lighting, and community buildings whose operations are not paid for by the state, the federal government, or private commercial interests. (§ 42 ch 83 SLA 1980)

Section repealed effective July 1, 1985. — Section 51, ch. 83, SLA 1980, repeals this section, effective July 1, 1985.

Sec. 44.83.164. Assistance to utilities not regulated by Public Utilities Commission [Repealed effective July 1, 1985]. (a) A utility which is exempt from regulation under AS 42.05.711 may receive power production cost assistance under AS 44.83.162 without becoming subject to the jurisdiction of the Alaska Public Utilities Commission if the utility is otherwise eligible for assistance and if the utility

(1) files with the commission the audited financial data necessary to determine the adjusted power production cost in the form prescribed in a recognized system of utility accounts;

(2) makes the reports required in AS 44.83.162(g) required of an electric utility with a rate schedule approved by the commission within the time and in the form the Alaska Power Authority designates;

(3) sets rates charged for residential services, local community services, and for services to charitable organizations, ~~by including as part of its revenue requirements for these services only the adjusted power production cost per kilowatt-hour sold;~~

less the amount of power production cost assistance for which it is approved;

(4) allows audits which the commission determines are necessary to insure compliance with this section; and

(5) furnishes its electric service customers eligible under this program the "Notice to Customer" specified in AS 44.83.162(i).

(b) The provisions of AS 44.83.162 relating to determination of the amount of power production cost assistance and payment of the assistance apply to assistance under this section. (§ 42 ch 83 SLA 1980)

Section repealed effective July 1, 1985. — Section 51, ch. 83, SLA 1980, repeals this section, effective July 1, 1985.

Article 5. Power Project Fund.

Section

170. Power project fund

Sec. 44.83.170. Power project fund. (a) There is established as a separate fund the power project fund which shall be distinct from any other money or funds of the authority, and which includes only money appropriated by the legislature.

(b) The authority may make loans from the power project fund

(1) to electric utilities, regional electric authorities, municipalities, cities, boroughs, regional and village corporations, village councils, and nonprofit marketing cooperatives to pay the costs of

(A) reconnaissance studies, feasibility studies, license and permit applications, preconstruction engineering, and design of power projects;

(B) constructing, equipping, modifying, improving, and expanding small-scale power production facilities, conservation facilities, bulk fuel storage facilities, and transmission and distribution facilities, including energy production, transmission and distribution, and waste energy conservation facilities which depend on fossil fuel, wind power, tidal, geothermal, biomass, hydroelectric, solar or other non-nuclear energy sources; and

(C) reconnaissance studies, preconstruction engineering, design, construction, equipping, modification, and expansion of potable water supply including surface storage and groundwater sources and

A. R. E. C. A.
6000 C. Street, Suite C
Anchorage, Alaska 99502

March 12, 1981

HB 359

Representative Jack Fuller
Pouch V
Juneau, Alaska 99811

Dear Jack:

At the request of your office I have reviewed the draft legislation dated 3-3-81 which is titled "An Act relating to power cost assistance; and providing for an effective date." The following is my analysis and comments on the effect of that proposed bill.

- (1) The costs to be considered for assistance would be broadened. At the present time, only power production costs are considered, but this bill would expand consideration to all costs associated with operating a utility. This approach was not recommended in the original study by Arthur Young & Co., and was not adopted by the legislature last year because it would not protect the public treasury from wasteful administrative practices which utilities could be tempted to engage in when they know the state will be paying the bill. The original concept was that present hardship is being caused by the drastic increase in oil prices, and the state should use a small portion of its windfall revenues resulting from those increased oil prices to diminish that hardship. The draft proposal gets away from this idea to some extent.
- (2) The program would be broadened to cover all consumers of an eligible utility. There is much to recommend this feature of the draft. It would have the effect of assisting businesses in high cost electric service areas. This is consistent with the original proposal last year, but this approach was rejected by the legislature in favor of limiting assistance to residential consumers, local community facilities, and charitable organizations. The reason behind this change was simply a strong opposition in the House Resource Committee to using state funds to assist commercial and industrial consumers with their utility bills. The strongest opposition was directed at subsidizing foreign owned fish processing plants.

Representative Jack Fuller

March 12, 1981

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- (3) Assistance is limited to 200 KWH per consumer (per month?). A good case can be made for fixing a maximum usage level of some sort, but there would be considerable debate as to what would be an appropriate level for that maximum. Administrative costs would be greatly increased for both the utilities and the Power Authority if a provision of this sort were adopted. Many of these utilities keep their records and prepare their bills by hand. The Power Authority would have to audit utility records to be sure that no more than 200 KWH per consumer were billed to APA. I imagine the drafter intended this to be a monthly figure, but that point is not at all clear.
- (4) The assistance formula is changed to reduce the assistance level. The maximum cost to be used in calculating the amount of assistance is changed from 40¢/KWH of power production cost to 40¢/KWH of all power costs. This would reduce the maximum assistance level by approximately one-third. (Actually a drafting error crept into the present law in its last rewrite in House Finance Committee last year which removed the upper limit entirely while still giving the impression that assistance stops at 40¢/KWH. This cap should be put in place.) When features (3) and (4) are considered together, the maximum assistance that any consumer could receive would be ~~\$40~~ (per month?). \$50
- (5) The requirement is removed that, to be eligible, a utility must sell at least 15% of its energy to residential consumers. This change is necessary to permit a few communities (Bettles is the only one I know about.) to be eligible to participate in the program. This change is appropriate and necessary.
- (6) Notice to consumers is made more flexible. This is a good provision which should eliminate the difficulty some utilities have had in complying with the rigid notice requirements in the present law. The language proposed in Section 9 of this draft is superior to my own proposed revision of this provision.
- (7) The assistance program would be terminated entirely in the very near future. Section 14 provides that this program would terminate on the date on which the U.S. Supreme Court upholds the permanent fund dividends program or on July 1, ~~1983~~, whichever date is earlier. 1991
This would shorten the life of the program by at least two years. The original idea behind this program was to provide assistance as an interim measure while rural Alaska is in the process of moving away from dependence on diesel generation and developing its renewable energy resources. This process will take time, and it seems appropriate to me to extend the life of the program to a total of 10 years in preference to either the 5 years in the present law or the

Representative Jack Fuller
March 12, 1981
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3 years or less in this draft. The assistance program is necessary to get equity for rural areas because world energy prices, at least temporarily, place a disproportionate burden on the consumers in those areas. The permanent fund dividend program is based on an equitable return to all Alaskans from the depletion of our natural resources. These two programs are totally unrelated, and the existence of one should not be dependent on the fate of the other.

If you have further questions, please call me at your convenience.

Sincerely,



David Hutchens
Executive Director

STATE
of ALASKA

MEMORANDUM

TO	<input type="checkbox"/> The Honorable Terry Gardiner -and- The Honorable Fred Zharoff House Resources Committee	DATE:	April 8, 1981
		FILE NO.	
		TELEPHONE NO.	465-3573
FROM:	James Souby Deputy Director Division of Policy Development and Planning Office of the Governor	SUBJECT:	House Bill 359

The following information is presented in an effort to respond more fully to questions raised in your Committee hearing of April 7, concerning HB 359.

What is the existing program?

The existing Power Production Cost Assistance Program subsidizes electricity consumption through State payments to utilities. These payments are then passed on to residential and charitable consumers and some local facilities in the form of lower rates. The amount of the subsidy is based on certain types of costs -- those associated with power generation. The State pays 85% of these costs over 9¢ per kilowatt hour and 100% of these costs over 40¢ per kilowatt hour (kwh).

What utilities are currently receiving assistance and who may be eligible under the new program?

Attachment A provides a list of current recipients of power production assistance. The following organizations have applications pending before the APUC:

Takotna Community Association
Manley Utility
Kwethluk Utility

The following organizations have contacted the APUC about the program:

City of Unalaska
King Cove Municipal Utility
Andreanof Electric Corporation (Atka)
North Pacific Rim Corporation (on behalf of certain villages)
Yugtak Corporation (Bethel)

Attachment B provides a list of regulated and non-regulated utilities, all of which are eligible to apply for assistance. Neither the APUC nor the APA have a list of utilities which are unregulated and non-certificated by the APUC. However, those organizations are also eligible for assistance provided the criteria in the statute are met.

Why are amendments being recommended?

There are concerns regarding the equity of the existing program. Currently, consumers faced with comparable electricity rates may receive very different levels of assistance as the result of the particular cost structure of their utility. Further, consumers in particularly high cost areas may not be receiving assistance because of information and reporting requirements.

There are also efficiency or incentive problems under the existing program. Since the amount of the subsidy is unlimited and in fact increases from 85% to 100% as production costs increase, incentives to pursue consumption and production alternatives are reduced.

How do these amendments address the problems stated above?

Equity: First, the cost basis on which the subsidy is calculated is expanded to include the full range of costs which are faced by utilities, exclusive of a rate of return on equity. This will reduce the large differences in subsidy going to consumers facing the same rates. Second, many high cost areas have not been able to take advantage of the program due to information and reporting requirements. Ten utilities, nine of which are regulated, are now participating in the program. A statewide energy survey by Rural CAP lists 59 communities, with estimated population totaling 34,400, which have non-regulated utilities (list attached). These amendments reduce the information requirements for non-regulated utilities and increase the technical assistance to be provided by the Alaska Public Utilities Commission.

Efficiency: A kilowatt hour limit of 200 kwh per month per customer is established as the subsidy basis as opposed to the unlimited usage now subsidized. The purpose of the limit is to provide assistance for basic usage, and at the same time not eliminate the price signals which reflect the true cost of providing power. A lid of 40¢/kwh is placed on costs eligible for subsidization. Systems with costs above this level are thus further encouraged to pursue efficiency improvements which may be financed under provisions of HB 310 or HB 461. The program would be phased out over a 10 year period, thus gradually reinstating price incentives for consumers and producers. This approach appears preferable to the current statute which eliminates the program in 1985.

What additional costs are allowed under the proposed amendments?

Currently production and transmission costs are allowed. This would be expanded to full costs, exclusive of the rate of return on equity. Examples of additional costs are distribution expenses (such as line and meter operation and maintenance), customer services, sales expenses, and administrative costs.

Why was a cap of 40¢/kwh included in this proposal?

A cap is included on the principle that the State should not act in

such a way to encourage development of nonviable utility systems. In reviewing rate structures of regulated utilities, 40¢/kwh appears to cover a substantial portion of the costs now faced by participating utilities including AVEC and THREA.

Page 3, lines 11 and 12 states "An eligible utility may not be denied power cost assistance if complete cost information is not available." Why is this stated as a negative proposition?

Many utilities that will be eligible for the program under HB 359 are not regulated by APUC and do not compile information in the manner currently prescribed for regulated utilities. The purpose of this statement is to insure that utilities which compile less than complete information on power costs will be eligible to receive power cost assistance. The language following that which is cited above directs the Commission to assist eligible non-regulated utilities in compiling the cost information necessary to comply with the requirements of the Act.

The use of the negative proposition is a legislative drafting technique that can be modified to clarify the intent.

Chapter 136, SLA 80 authorized certain utilities to seek exemption from regulation by the APUC. Does HB 359 reimpose APUC regulation for those utilities which have exercised that option?

The answer is no. HB 359 provides that both regulated and non-regulated utilities may seek assistance under the power cost assistance program. The government agencies designated by statute to conduct the program are the Alaska Power Authority (APA) and the Alaska Public Utilities Commission (APUC). The Power Authority must administer the fund from which assistance payments are made and the APUC must verify cost information needed to qualify for the program and provide technical assistance to eligible utilities. The statute does not provide any new regulatory functions for the APUC and does not allow APUC to change the rate structure of the utility. It simply relies on the Commission's knowledge and expertise to insure compliance with the law.

How would the subsidy calculation change for costs above and below the 40¢/kwh cost ceiling, and for consumption above and below the 200 kwh/month limit?

The chart below illustrates the total power costs and State assistance which result from various combinations of kilowatt hour costs and usage patterns. For example, if power costs were 35¢/kwh and a customer used 200 kilowatt hours per month, total costs would be \$70.00 per month, \$40.00 of which would be paid by the State.

Power Cost
and
(State Assistance)

USAGE	COST*		
	35¢/kwh	40¢/kwh	45¢/kwh
100 kwh	\$35.00 (\$20.00)	\$40.00 (\$25.00)	\$45.00 (\$25.00)
200 kwh	\$70.00 (\$40.00)	\$80.00 (\$50.00)	\$90.00 (\$50.00)
300 kwh	\$105.00 (\$40.00)	\$120.00 (\$50.00)	\$135.00 (\$50.00)

* Rates may be somewhat higher than costs due to the inclusion of return on equity which is not allowed in the cost basis for subsidy.

Does HB 359 repeal the entire act or simply amend the existing statute?

Sections 1 - 11 of the bill amend the existing law on power production assistance. Section 12 provides for the repeal of those sections of existing law which sunset the program on July 1, 1985 and repeals references to "charitable organizations" which will remain eligible, since HB 359 expands the subsidy to all classes of consumers. Sections 13 and 14 provide for repeal of the entire program when the U.S. Supreme Court rules that Permanent Fund Dividends may be paid to Alaskans on July 1, 1991, whichever is earlier.

Attachments

ATTACHMENT A
 PROJECTION OF POWER PRODUCTION ASSISTANCE PROGRAM
 December 15, 1980

(1) Utility	(2) Location	(3) Actual Power Production Cost (¢/KWH)	(4) Adjusted Power Production Cost (¢/KWH)	(5) Approved Assistance (¢/KWH)	(6) Utility Reported Annual KWH Sales Qualifying for Ass.	(7) Estimate of Annualized Assistance
Alaska Village Electric Cooperative	Villages	29.97	12.14	17.83	5,220,116	\$ 930,746.63
Copper Valley Electric pending	Glennallen	11.60	9.39	2.21	3,394,370	75,015.58
	Glennallen	11.54	9.38	2.16		73,318.39
	Valdez	11.29	9.34	1.95	10,482,241	204,403.70
Haines Light & Power	Haines	10.78	9.26	1.52	2,856,958	43,425.76
Kodiak Electric Assoc.	Port Lions	28.99	12.00	16.99	255,596	41,253.19
	Port Lions	27.99	11.85	16.14		
Kotzebue Electric Assoc.	Kotzebue	14.4345	9.8152	4.6193	3,537,223	163,395.17
Tlingit-Haida Regional Electric Authority	Angoon, Hoonah, Kake, Klawock, Kasaan	19.98	10.65	9.33	2,736,791	255,342.60
Cordova Electric Coop.	Cordova	11.16	9.32	3.12	5,710,401	173,164.51
Matanuska Elec. Assoc.	Unalakleet	19.665	10.500	9.065	476,103	43,158.74
Kodiak Electric Assoc.	Kodiak	10.40	9.21	1.19	16,321,696	200,178.13
McGrath Light & Power	McGrath	20.20	10.68	9.52	412,056	39,227
Nome Municipal Utility	Nome	12.7499	9.5625	3.1874	4,649,856	187,752.00

ATTACHMENT B

REGULATED UTILITIES

LOCATION	POP	RESID
AEL & P	22105	6483
AK POWER & TELE		
-CRAIG	587	219
-HYDABURG	384	123
-SKAGWAY	858	365
-TOK & TANACROSS	863	317
-DOT LAKE	81	20
AVEC	14241	2616
AMFAC (SAND POINT)	829	126
ANCHORAGE L & P		13765
ANIAK POWER	323	87
BARRON UTILITIES	2715	670
BETHEL UTILITIES	3004	1216
BETTLES L & P	88	16
CHUGACH ELEC		
-ANCHORAGE		42575
-GIRDWOOD	144	10
-KENAI PEN.	427	239
CIRCLE	76	14*
COPPER VALLEY		
-GLENNALLEN	716	629
-VALDEZ	4481	959
CORDOVA ELEC	2406	682
FORT YUKON UT.	700	194
GLACIER HWY ELEC		790
GOLDEN VALLEY	45208	13591
HAINES L & P	1366	419
HOMER ELEC		
-HOMER	5309	4021
-KENAI	5223	3957
-SOLDOVIA, PT. GRAHAM	809	613
-ENGLISH BAY	110	83
HYDER-BC HYDRO	49	5.
KODIAK ELEC		
-KODIAK	4911	2459
-PORT LIONS	265	49*
KOTZEBUE	2431	455
MANLEY UT.	74	21
MATANUSKA ELEC	19615	11164
MAT EL-UNALAKLEET	600	125
MCGRATH	350	64
MUS-FDKS.	15069	4494
NAKHEK ELEC		
-NAKHEK	350	185
-EGEGIK	148	78
NORTHERN POWER	256	29
NORTHWAY	361	67*
-NUSUAGAK ELEC	1252	410
PELICAN UT	221	57
TANANA POWER	449	136
TELLER POWER	219	41*
THREA	2671	541
YAKUTAT POWER	500	169

NON-REGULATED UTILITIES

LOCATION	POP	RESID
AKIACHAK	371	68C
AKIAK	192	35C
ALLAKAKEET	164	30C
ANAKTUVUK PASS	173	32C
ARCTIC VILLAGE	191	18C
ATKASOOK	93	17C
ATMAUTLUAK	140	25C
BUCKLAND	174	32C
CHIGHIK BAY	73	13C
CHISTOCHINA	35	6C
CLARK'S POINT	70	12C
DEERING	104	19C
EAGLE	161	29C
GALENA	631	116C
KAKTOVIK	192	35C
KEYCHIKAN P.U.	8273	4312
KING COVE	734	135C
KIPHOX	579	107C
KLUKIAN	150	27C
LAKE MINCHUMIA	15	2C
MADOKOTAK	300	55C
MERTASTA LAKE	56	10C
METLAKATLA	1160	355
NAFAKIAK	293	54C
NAPASKIAK	210	53C
NELSON LAGOON	55	10C
NEJTOK	150	27C
NIGHTMUTE	123	22C
NIKOLSKI	57	10C
HOME	2555	1040
HOME VICINITY	252	100
NUIGSUT	182	33C
OUZINKIE	173	32C
PAXSON	24	4
PEDRO BAY	65	12C
PETERSBURG	3197	985
PLATINUM	65	12C
POINT HOPE	464	85C
POINT LAY	57	10C
PORT HEIDEN	64	12C
RAMPART	5	9C
RUBY	220	40C
RUSSIAN MISSIF.	150	27C
SAINT GEORGE	184	34C
SAINT PAUL	689	127C
SEWARD	2864	1049
SITKA	3390	2015
SKWENTA	16	2C
SLEETMUTE	121	22C
TATITLEK	111	20C
TENAKEE SPRINGS	101	18C
TETLIN	130	24C
THORNE BAY	310	57C
TULUKSAK	258	47C
UNALASKA	725	134C
WAINWRIGHT	429	79C
WHITE MT.	103	19C
WRANGELL	3152	786
KUETHLUK	450	85C

NOTE:

Population figures compiled by RuralCAP.
Residential customer figures compiled by Alaska
Power Administration.

* or "C" indicates residential customer information was developed using data
provided by AVEC.

THE LEGISLATURE OF THE STATE OF ALASKA ATTACHMENT C
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 359
 Title An Act relating to power cost assistance
 Requested by Office of the Governor Date _____

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Public Protection and Development
 BRU, Program, or Subprogram(s) Affected Alaska Public Utilities Comm. & Alaska Power Authority
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL		10.5				
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		1,758.7				
TOTAL		1,769.2				

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		1,769.2				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

It is estimated that grants for the Power Cost Assistance Program will not exceed \$3,500.0 in FY 82. The \$1,758.7 in this fiscal note plus the \$1,741.3 in the Alaska Power Authority proposed FY 82 operating budget for the Power Production Cost Program totals \$3,500.0. Data is not available to reliably estimate the amount of grants needed for future fiscal years. On one hand, the eligible grant amount will increase due to population growth and rising utility production costs. On the other hand, the minimal adjusted power costs will increase by two cents per kilowatt hour which will reduce the amount of eligible grants. Once the number of eligible utilities is established, a revised fiscal note will estimate the amount of grants needed for future fiscal years.

One of the intents of the Power Cost Assistance Program is to extend this form of State assistance to a greater number of utilities which have high power costs. This will require a \$8.0 increase in travel for the APUC in order for them to offer technical assistance to utilities which apply. The Alaska Power Authority will also need approximately 2.5 in travel funds to verify the cost and consumption data of utilities.

IV. DATE March 17, 1981 PREPARED BY George Matz
 AGENCY Budget & Management
 PHONE 465-4632

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

April 7, 1981

ALASKA PUBLIC UTILITIES COMMISSION


COMMENTS - HB 359

Consistent with its comments on the original legislation, The Alaska Public Utilities Commission will not address the social policy embodied in the proposed revisions to AS 44.83.162.

The Commission has reviewed and provided technical assistance in the preparation of this legislation by the Governor's Office and is capable of performing the required functions contemplated in HB 359 with the assistance of additional travel monies.

Rebecca or Carla:

Please deliver to ~~Christine Harder~~, House Resources Committee, for hearing 4/8/81, 3:00 p.m.


Carolyn S. Guesz
Chairman
Alaska Public Utilities Commission

POWER PRODUCTION ASSISTANCE FORMULA

Problem - existing scenario provides little or no incentive for utilities in the 15¢ - 40¢ cost range to hold utility costs down, particularly when most customers consumption level is below the subsidy ceiling. This incentive is currently provided because the subsidy is only applied to the production portion of the power cost to the consumer. The local consumer is the best watchdog for local level efficiency and incentive is needed to encourage efficiency.

Proposal - Subsidy based on the following formula:

Floor - 12¢, increasing 2¢ annually for inflation.

Subsidy provided on costs over 12¢.

Subsidy = 100% of cost or formula, whichever is lower.

Subsidy Formula - $110\% - (C-F) = \% \text{ Subsidy}$

C = cost in cents

F = Floor in cents

Example - Consumer Cost - 25¢

Floor Cost - 12¢

$110 - (25-12) = 97\% \text{ subsidy}$

EXPANSION

110% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-08.0		12¢
22	-10.0	100%	12¢
25	-12.6	97%	12.4¢
30	-16.6	92%	13.4¢
35	-20.1	87%	14.9¢
40	-23.0	82%	17.0¢
45	-25.4	77%	19.6¢
50	-27.4	72%	22.6¢
60	-29.8	62%	30.2¢

115% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-08.0		12¢
22	-10.0		12¢
25	-13.0		12¢
30	-17.5	97%	12.5¢
35	-21.2	92%	13.8¢
40	-24.4	87%	15.6¢
45	-27.1	82%	17.9¢
50	-29.3	77%	20.7¢
60	-29.8	67%	30.2¢

120% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-09.0		11¢
22	-11.0		11¢
25	-13.9		11.1¢
30	-18.4		11.6¢
35	-22.3	97%	12.7¢
40	-25.8	92%	14.2¢
45	-28.7	87%	16.3¢
50	-31.2	82%	18.8¢
60	-34.6	72%	25.4¢

85% assistance on power costs between
12¢ and 60¢ per kWh for 600 kWh/mo.

Sec 3

(c) An eligible electric utility is entitled to receive power cost assistance for sales of power to local community facilities for not more than _____ kilowatt-hours for each resident in the most recent federal decennial census and for not more than 600 kilowatt-hours per month sold to each customer in all other classes served by the utility. The amount of power cost assistance provided per month for the fiscal year ending June 30, 1982 is 85 percent of the average power costs per kilowatt-hour of the utility, as determined by the Commission, which exceed 12 cents per kilowatt-hour but ~~do not~~ do not exceed 60 cents per kilowatt-hour for the number of kilowatt-hours eligible for assistance. The minimum power cost ~~interest~~ ~~is~~ eligible for assistance shall increase by one cent per kilowatt-hour for each fiscal year thereafter.

AVEC

Power Production cost = 27¢/kWh
Power Cost = 39.6¢/kWh
Retail Rate = 44¢/kWh
Typical AVEC consumption = 180 kWh/mo
High AVEC consumption = 500 kWh/mo

Plan

Existing Low

~~High~~

HR 359
 (conservation credit) included
 (conservation credit) not included

12¢ - 500kWh
 15¢ - 600kWh

Typical Consumer

#79.20
~~#79.20~~ 27.5¢
~~#51.66~~

High Use Consumer

#220.00
 76.50
 143.50

bill 220.00
 assistance 110.90
 net bill 109.60

bill 220.00
 assistance 132.00
 net bill 88.00

bill 220.00
 assistance 117.50
 net bill 102.70

bill 220.00
 assistance 124.20
 net bill 95.80

bill 220.00
 assistance 131.10
 net bill 88.90

79.20

76.08

3.12

79.20

49.68

29.52

79.20

49.71

34.49

79.20

49.71

36.97

79.20

49.71

30.00

95% - 600kWh

90% - 600kWh

85% - 600kWh

Sec. 3

(c) An eligible electric utility is entitled to receive power cost assistance for sales of power to local community facilities for not more than 100 kilowatt-hours for each resident in the most recent federal decennial census and for not more than 600 kilowatt-hours per month sold to each customer in all other classes served by the utility.

The amount of power cost assistance provided per month is the amount by which the average power cost per kilowatt-hour of the utility, as determined by the commission, exceeds the adjusted power costs of ~~that~~ the utility multiplied by the number of kilowatt-hours eligible for assistance sold in each assistance category in this subsection. The adjusted power costs of an eligible electric utility are

(1) for sales for local community facilities not exceeding 50 kilowatt-hours per resident per month and for sales to all other classes of consumers not exceeding 300 kilowatt-hours per month

(A) the power costs which do not exceed 12 cents per kilowatt-hour; plus

(B) the power costs which exceed 60 cents per kilowatt-hour; plus

(C) one cent per kilowatt-hour for the fiscal year ending June 30, 1985,

plus one cent per kilowatt-hour for each fiscal year thereafter; and

(2) for sales for local community facilities between 50 and 100 ~~per~~ kilowatt-hours per ~~month~~ resident per month and for sales to all other classes of consumers between 300 and 600 kilowatt-hours per month

(A) the power costs which do not exceed 15 cents per kilowatt-hour; plus

(B) the power costs which exceed 60 cents per kilowatt-hour; plus

(C) ~~the~~ one cent per kilowatt-hour for the fiscal year ending June 30, 1933, plus one cent per kilowatt-hour for each fiscal year thereafter.

New Section 14 Transition Provision

The Alaska Power Authority is authorized to continue accepting and making payment on claims from eligible utilities under the power production cost assistance program until it determines

(a) the utility has had sufficient time to apply for assistance under this act; and

(b) the Alaska Public Utilities Commission has had sufficient time to act upon such ~~an~~ an application; or

(c) the utility is not eligible for assistance under this act.

A M E N D M E N T

A new section is added to the bill, to the intent:

*Sec. _____. The Alaska Power Authority is authorized to continue accepting and making payment on claims from eligible utilities under the power production cost assistance program until it determines that

(a) the utility has had sufficient time to apply for assistance under this Act;

(b) the Alaska Public Utilities Commission has had sufficient time to act upon such applications; and

(c) the utility is not eligible for assistance under this Act;

AMENDMENTS

BY VASKA

1. Page 5, lines 13 - 28 are amended to read:

(2) beginning July 1 of the first fiscal year following the date on which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority shall establish and maintain a single wholesale power rate applicable to all power projects which it has acquired or constructed under the energy program for Alaska; the wholesale power rate shall be computed by the authority annually, and shall be not less than five percent of the amount which the authority has invested in the power project from the fund or the rate which the authority estimates is necessary to produce revenue which is sufficient to pay

(A) operation, maintenance, and equipment replacement costs of the power projects;

(B) debt service costs of the power projects;

(C) safety inspections and investigations of the power projects by the authority; and

(D) annual costs of the power production cost assistance program (AS 44.83.162).

whichever is greater.

2. Page 6, lines 3 - 13 are amended to read:

(d) The legislature may appropriate to the authority the amount required under AS 44.85.479 from the amount collected

under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund for paying costs of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount determined under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund may be appropriated by the legislature to the power production costs assistance fund and to pay the costs of energy conservation programs, alternative energy systems, energy research and development, and costs related to energy production and use, including but not limited to electricity, space heating and transportation.

///

Article 4. Power Production Cost Assistance.**Section**

162. Power production cost assistance

164. Assistance to utilities not regulated
by public utilities commission

Article repealed effective July 1, 1980, repeals this article, effective July 1, 1985. — Sections 51 and 54, ch. 63, SLA 1985.

Sec. 44.83.162. Power production cost assistance [Repealed effective July 1, 1985]. (a) There is established as a separate fund to provide financial assistance to eligible electric utilities in the state, the power production cost assistance fund which shall be administered by the authority as a fund distinct from other funds of the authority and which is composed of money appropriated for the purpose of providing power production cost assistance to an eligible electric utility.

(b) Power production costs which may be paid from the power production cost assistance fund include

(1) production expenses for generating electricity, consisting of the costs of

- (A) operation supervision and engineering;
- (B) fuel, oil, gas, coal, and other thermal fuels;
- (C) generation expenses;
- (D) miscellaneous other power generation expenses;
- (E) rents;
- (F) maintenance supervision and engineering;
- (G) maintenance of structures;
- (H) maintenance of generating and electric plant; and
- (I) maintenance of miscellaneous other power generation;

(2) fixed costs relating to generating electricity, consisting of

- (A) depreciation of a generating plant and equipment;
- (B) taxes on a generating plant and equipment;
- (C) insurance on or attributable to a generating plant and equipment;
- (D) interest on indebtedness incurred for a generating plant and equipment;

(3) costs of purchased power, including but not limited to system control and load dispatching expenses;

(4) transmission expenses, consisting of

- (A) transmission operation supervision and engineering;
- (B) transmission load dispatching;
- (C) station expenses;

- (D) overhead line expenses;
- (E) underground line expenses;
- (F) transmission of electricity by others;
- (G) miscellaneous transmission expenses;
- (H) rents; and
- (I) maintenance costs for facilities associated with (A) — (E) of this paragraph; and
- (5) fixed costs relating to transmission, consisting of
 - (A) depreciation of transmission lines and equipment;
 - (B) taxes on transmission lines and equipment;
 - (C) insurance on or attributable to transmission lines and equipment; and
 - (D) interest on debt incurred for transmission lines and equipment.

~~(a) Power production cost assistance shall be paid to an eligible electric utility if the actual power production costs of the utility exceed its adjusted power production costs, as determined annually by the commission. The adjusted power production costs of an electric utility are~~

- ~~(1) 15 percent of the portion of the actual power production costs which does not exceed 40 cents per kilowatt hour; plus~~
- ~~(2) the base power production cost escalator; the base power production cost escalator is 7.65 cents per kilowatt hour adjusted annually by a percentage equal to the percentage of change in the Anchorage consumer price index for the year.~~

~~(d) An eligible electric utility may include as part of its revenue requirement for the purpose of setting rates charged for residential service, local community facilities service, and service to charitable organizations only the adjusted power production cost per kilowatt hour sold.~~

(c) Power production cost assistance shall be paid to an eligible electric utility at the rate of 85 percent of the actual power production costs of the utility which exceed 10 cents per kilowatt hour but do not exceed 40 cents per kilowatt hour, as determined by the commission.

(d) An eligible electric utility shall credit the amount of its approved power production cost assistance for each kilowatt hour sold to residential consumers, local community facilities, and charitable organizations,

However, the utility's approved tariff shall show rates based on the actual cost of providing electric utility service and the state assistance derived from the power production cost assistance program under this section.

e) The power production cost assistance program shall be administered by the authority based on a determination by the commission of ~~adjusted power production cost~~ ^{assistance for each eligible} for each electric utility eligible for power production cost assistance. An electric utility is eligible for power production cost assistance if

~~the actual power production costs of the utility exceed the adjusted power production cost~~, ^{10¢/kwh,} as determined by the commission under (c) of this section.

~~at least 15 percent of the total energy sold by an electric utility during the calendar year preceding the year in which power production cost assistance may be claimed was for residential use.~~

(1) The ~~adjusted power production cost~~ ^{assistance} shall be calculated annually in the manner prescribed by (c) of this section and shall be based on the actual power production cost filed with the commission by each eligible

electric utility, as verified by the commission. The power production cost shall be derived from financial data supporting the most recently approved permanent rate schedule with adjustments incorporating the current cost of fuel. The determination of the cost of fuel by the commission shall be in accordance with the procedure for approving fuel cost rate adjustments in effect at the time of the determination. The commission shall review filings and approve an adjusted power production cost ^{assistance} per kilowatt-hour and revised rates based on the approved adjusted power production cost per kilowatt-hour, as determined under (c) of this section. The commission may change the adjusted power production cost ^{assistance}.

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

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

(3) the authority has discovered discrepancies in its review of data submitted, monthly, by the utilities *or*

~~(4) the authority determines that appropriations are insufficient to fund full payments to eligible utilities.~~

(g) Each electric utility with a ~~rate schedule and adjusted power production cost~~ ^{assistance} approved by the commission shall report monthly to the authority within the time and in the form the authority designates: (1) the total actual power production costs of electric power including a detailed breakdown of those costs as specified by the commission; (2) the total kilowatt-hours sold during the preceding month; (3) the total kilowatt-hours sold during the preceding month for service eligible for power production cost assistance under this section; ~~(4) the total kilowatt-hours generated during the preceding month;~~ (5) the total power production cost per kilowatt-hour sold; ~~(6) the total power production cost per kilowatt-hour generated;~~ and (7) any increase or decrease in the current unit price of fuel from the base price used by the commission in the determination of power production costs. The authority shall review the report and may submit the report to the commission for additional review before payment.

(h) After review and approval by the authority, the authority shall, subject to appropriation, pay to each eligible electric utility an amount equal to the ^{approved} ~~difference between the actual~~ power production costs ^{assistance} for the preceding month and the approved adjusted power production cost ~~per kilowatt-hour~~ times the number of kilowatt-hours sold to residential customers, local community facility customers, and facilities owned by charitable organizations during the preceding month. Payment shall be made by the authority within 30 days of receipt from the utility of the report required under (g) of this section. However, if there is a dispute between the authority and the utility relating to the payment, the authority shall submit the report to the

commission within 30 days of receipt of the report by the authority for review before payment. When a report is submitted to the commission for review under this section, payment shall be made by the authority within 30 days after submission. If appropriations are insufficient for payment in full, the amount paid to each electric utility is reduced on a pro-rata basis.

(i) If an electric utility receives a payment under this section, the utility shall furnish the following notice to its electric service customers eligible under this program for each period for which the payment is received.

The following notice is the suggested format, and any variation from this format shall be similar in content and shall be approved by the authority:

NOTICE TO CUSTOMER *will be*

For the current billing period the utility ~~has been~~ paid under the State of Alaska's power production cost assistance 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 assistance	\$
Your charge	\$

(j) For the purpose of this section,

(1) the terms used in (b) (1) — (4) of this section are defined as those items are defined in a recognized system of utility accounts designated by the commission;

(2) actual power production costs are the expenses and costs prescribed in this subsection less any other power production cost assistance provided to the electric utility.

(k) In this section,

(1) "charitable organization" means an organization, not organized for pecuniary profit, which is operated for the relief of poverty, distress, or other condition of public concern in the state; the term includes, but is not limited to, a church or religious organization;

(2) "commission" means the Alaska Public Utilities Commission;

(3) "local community facilities" means water and sewer facilities, public outdoor lighting, and community buildings whose operations are not paid for by the state, the federal government, or private commercial interests. (§ 42 ch 83 SLA 1980)

Section repealed effective July 1, 1985. — Section 51, ch. 83, SLA 1980.

Sec. 44.83.164. Assistance to utilities not regulated by Public Utilities Commission [Repealed effective July 1, 1985]. (a) A utility which is exempt from regulation under AS 42.05.711 may receive power production cost assistance under AS 44.83.162 without becoming subject to the jurisdiction of the Alaska Public Utilities Commission if the utility is otherwise eligible for assistance and if the utility

(1) files with the commission the audited financial data necessary to determine the adjusted power production cost in the form prescribed in a recognized system of utility accounts;

(2) makes the reports required in AS 44.83.162(g) required of an electric utility with a rate schedule approved by the commission within the time and in the form the Alaska Power Authority designates;

(3) sets rates charged for residential services, local community services, and for services to charitable organizations, ~~by including as part of its revenue requirements for these services only the adjusted power production cost per kilowatt-hour sold,~~

less the amount of power production cost assistance for which it is approved;

(4) allows audits which the commission determines are necessary to insure compliance with this section; and

(5) furnishes its electric service customers eligible under this program the "Notice to Customer" specified in AS 44.83.162(i).

(b) The provisions of AS 44.83.162 relating to determination of the amount of power production cost assistance and payment of the assistance apply to assistance under this section. (§ 42 ch 83 SLA 1980)

Section repealed effective July 1, 1985. — Section 51, ch. 83, SLA 1980.

Article 5. Power Project Fund.

Section

170. Power project fund

Sec. 44.83.170. Power project fund. (a) There is established as a separate fund the power project fund which shall be distinct from any other money or funds of the authority, and which includes only money appropriated by the legislature.

(b) The authority may make loans from the power project fund

(1) to electric utilities, regional electric authorities, municipalities, cities, boroughs, regional and village corporations, village councils, and nonprofit marketing cooperatives to pay the costs of

(A) reconnaissance studies, feasibility studies, license and permit applications, preconstruction engineering, and design of power projects;

(B) constructing, equipping, modifying, improving, and expanding small-scale power production facilities, conservation facilities, bulk fuel storage facilities, and transmission and distribution facilities, including energy production, transmission and distribution, and waste energy conservation facilities which depend on fossil fuel, wind power, tidal, geothermal, biomass, hydroelectric, solar or other non-nuclear energy sources; and

(C) reconnaissance studies, preconstruction engineering, design, construction, equipping, modification, and expansion of potable water supply including surface storage and groundwater sources and