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ALASKA POWER AUTHORITY

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Phone: (907) 277-7641
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February 25, 1981

Senator Vic Fisher
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Senator Fisher:

Additional information was requested on the status of the Power Production Assistance Program and supplemental funding which may be provided by SB 174. The historical experience of administering the program to date in fiscal 1981 has been used as the primary basis for these projections. A key variable in any cost projection associated with this program is the voluntary nature of utility participation in the program. With the initiation of operation of this program all eligible utilities did not immediately apply, nor have all eligible utilities applied as of this date. The gradual growth of the program is illustrated by the total of \$21,324 of payments issued in October 1980, versus the \$259,348 of payments issued in January 1981. The number of participating utilities continues to grow, from 1 in October 1980 to 12 utilities presently. Available information suggests the number of utilities participating will increase to 15 or 16 before the end of fiscal 1981. Shown below is an estimate of funding required for the remainder of Fiscal Year 1981, over and above that remaining in the original appropriation.

Probable Monthly Payments to Utilities currently participating	\$273,000
Possible Monthly Payments to Utilities planning to participate	75,000
Subtotal	<u>\$348,000</u>
Months remaining in FY 1981 (as of February 1)	5
Funds Required*	\$1,740,000
Funds Remaining** and Available	796,345
Funds Presently Lacking	<u>\$ 943,655</u>
Contingency 10%***	94,365
Additional Funding Required for FY 1981 or approximately	<u><u>\$1,038,020</u></u> <u><u>\$1,050,000</u></u>

*Note the lack of seasonality. It is my opinion that consumers may adjust to lower electrical rates by increasing their electrical consumption. Until this adjustment is complete, we are not likely to see definite seasonality and when we do, it will be at a higher base level. Seasonality has been taken into consideration in the FY 1982 forecast of program costs.

**Payments approved but not yet disbursed have been subtracted from funds remaining.

***Contingency for payments to utilities which might participate, but which have not yet started the application process.

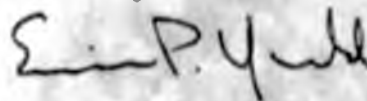
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If this program is continued in FY 1982, the cost will be significantly increased, as all utilities currently participating will continue to participate from the beginning of the FY 1982. It is likely to continue to grow, but the exact number of participating utilities cannot be determined due to the voluntary nature of participation in the program. To determine a forecast, I have estimated that the growth in utilities and eligible kwh's will continue at the same rate in FY 1982, as in 1981. The resulting participation of 22 utilities is well within the possible number of eligible utilities in the State. I have included an assumption of a 15% increase in power production cost, which is due to the high reliance on diesel generation in participating utilities. The resulting estimate for FY 1982 cost for the Power Production Cost Assistance Program is \$4,800,000. Seasonality of participants in the program has been difficult to assess, as some evidence exists that the resulting lower cost electricity is stimulating consumption and temporarily producing a greater than normal seasonal demand for electricity, but I have attempted to consider both seasonality and possible upward demand tendencies in the forecast.

Utilities currently participating in the Program include the Alaska Village Electric Cooperative, the Copper Valley Electric Association, the Cordova Electric Cooperative, Haines Light and Power Company, Kodiak Electric Association, Kotzebue Electric Association, Matanuska Electric Association (Unalakleet), the Tlingit Haida Electric Association, and McGrath Light and Power Company. Utilities planning to participate include Nome, North Slope Borough, Manley Hot Springs, the Village of Takotna, and other villages unknown at this time. The attached memo indicates disbursements through January 1, 1981.

If you desire any further information, please let me know.

Sincerely,



Eric P. Yould
Executive Director

Attachment: As stated

cc: Senator Colletta
Senator Bradley
Senator Eliason
Senator Stimson



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Vic Fischer
Chairman, Senate State Affairs Comm.

FROM: Senator Frank R. Ferguson

DATE: February 16, 1981

SUBJECT: SB 174

Attached is the back-up for SB 174.

ALASKA POWER AUTHORITY

MEMORANDUM

TO: Senator Frank Ferguson
Alaska State Legislature

FROM: Eric P. Yould
Executive Director
Alaska Power Authority

DATE: February 11, 1981

SUBJECT: Power Production Cost
Assistance Program

As you requested, the following information illustrates the additional funding needed to insure that the Power Production Cost Assistance Program is fully funded through the present fiscal year. The approximately \$1.4 million with which the program commenced operations was one-half of the original appropriation, due to an executive veto. The details below include the \$796,345 remaining in the fund for the calculation to determine the additional \$1,050,000 necessary to avoid discontinuance or reduction of this program before the end of the fiscal year.

1. Probable Monthly Payments to Utilities Currently Participating	\$ 273,000
2. Possible Monthly Payments to Utilities Planning to Participate, Including Nome, North Slope Borough, Manley Hot Springs, and Village of Takona	<u>75,000</u>
3. Subtotal	\$ 348,000
4. Months Remaining	<u>5</u>
5. Funds Required	\$ 1,740,000
6. Less Funds Available *	(<u>796,345</u>)
7. Funds Presently Lacking	\$ 943,655
8. Contingency Funds 10% **	<u>94,365</u>
9. Additional Appropriation Necessary	<u>\$ 1,038,020</u>
	or approximately <u>\$1,050,000</u>

* - Includes payments approved but not yet disbursed.

** - Contingency for payments to utilities which might participate, but which have not yet started the application process.