

COMMITTEE REPORT  
HOUSE

(11)

FURTHER:

(Returned from Rules to Finance  
5/23/84)

Date: 5-25-84

5/25/84

The Committee on FINANCE has had SB 376am

"An Act relating to power cost assistance; and providing for an effective date."

under consideration <sup>3rd time</sup> and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for SB 376 (3rd time)  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_  
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MEMBERS HAVING  
OTHER RECOMMENDATIONS:

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 \_\_\_\_\_  
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 \_\_\_\_\_  
 \_\_\_\_\_

\_\_\_\_\_  
CHAIRMAN

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
Bill/Resolution No.: HCS (2nd Fin) SB 376  
Title: Power Cost Assistance

FISCAL DETAIL  
Agency Affected: Commerce & Econ. Dev.  
Program Category Affected: \_\_\_\_\_

Sponsor: Sackett, Ferguson  
Requestor: House Finance  
Date of Request: 5/12/84

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

There is fiscal impact from this bill. An appropriation to cover the fiscal impact will be provided in a separate appropriations measure.

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair Phone: 465-3706  
Division: House Finance Committee Date: 5/12/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

Offered: 5/25/84  
Referred: Rules

Original sponsors: Sackett and Ferguson

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 HOUSE CS FOR SENATE BILL NO. 376 (3d Finance)  
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 fiscal year that begins July 1, 1984 the  
15 power costs for which power cost equalization may be paid to an elec-  
16 tric utility are limited to minimum power costs of more than 8.5 cents  
17 per kilowatt-hour and less than 52.5 cents per kilowatt-hour;

18 (2) during each following fiscal year, the power costs for  
19 which power cost equalization may be paid to an electric utility are  
20 limited to

21 (A) power costs of less than 52.5 cents per kilowatt-  
22 hour specified in (1) of this subsection plus one cent per kilowatt-  
23 hour for the fiscal year ending June 30, 1986, plus one cent per  
24 kilowatt-hour for each fiscal year thereafter; and

25 (B) power costs that are greater than the minimum  
26 power cost of 8.5 cents per kilowatt-hour specified in (1) of this  
27 subsection; and

28 (3) during each following state fiscal year, the power  
29 costs for which power cost equalization may be paid to an electric

1 utility shall be adjusted by the commission, considering the rate of  
2 change in fuel cost and power demand; and

3 (4) the power cost equalization per kilowatt-hour may be  
4 determined for a utility without historical kilowatt-hour sales data  
5 by using kilowatt hours generated.

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 70 kilowatt-hours per month per resident of the community,  
14 and to reduce the cost of the first 750 kilowatt-hours per customer  
15 per month for all other classes served by the electric utility.

16 (f) The power cost equalization program shall be administered by  
17 the authority based on a determination by the commission under (b) and  
18 (d) of this section of power cost equalization per kilowatt-hour for  
19 each eligible electric utility.

20 (g) An eligible electric utility may not be denied power cost  
21 equalization because complete cost information is not available. An  
22 eligible electric utility that is exempt from rate regulation under  
23 AS 42.05.010 - 42.05.721 shall be assisted by the commission to pro-  
24 vide the cost information the commission considers necessary to comply  
25 with the requirements of this section. Only power costs that are  
26 supportable may be considered in calculating power cost equalization.  
27 Each electric utility is responsible for keeping records that provide  
28 the information necessary to comply with the requirements of this  
29 section including, but not limited to, records of monthly kilowatt-

1 hour sales or generation, monthly fuel balances, fuel purchases, and  
2 monthly utility fuel consumption.

3 (h) For each eligible electric utility, the determination of the  
4 cost of fuel by the commission shall be in accordance with the proce-  
5 dure for approving fuel cost rate adjustments of electric utilities  
6 subject to rate regulation under AS 42.05.010 - 42.05.721.

7 (i) Each electric utility receiving power cost equalization ap-  
8 proved by the commission shall

9 (1) report monthly to the authority within the time and in  
10 the form the authority requires; and

11 (2) use operational equipment designed to meter individual  
12 utility customer power consumption and to determine and record the  
13 utility's overall fuel consumption.

14 (j) The authority shall review the report required under (i)(1)  
15 of this section and may submit the report to the commission for addi-  
16 tional review before payment. After review and approval of the report  
17 by the authority, the authority shall, subject to appropriation, pay  
18 to each eligible electric utility an amount equal to the power cost  
19 equalization per kilowatt-hour determined by the commission under (b)  
20 and (d) of this section, multiplied by the number of kilowatt-hours  
21 eligible for power cost equalization that were sold during the preced-  
22 ing month to all customers of the utility in accordance with (c) of  
23 this section. Payment shall be made by the authority within 30 days  
24 after receipt from the utility of the report required under (i) of  
25 this section. However, if there is a dispute between the authority  
26 and the utility relating to the payment, the authority shall submit  
27 the report to the commission for review within 30 days after its  
28 receipt by the authority. When a report is submitted to the commis-  
29 sion for review under this section, payment shall be made by the

1 authority within 30 days after submission, based on a commission  
2 determination. If appropriations are insufficient for payment in  
3 full, the amount paid to each electric utility is reduced on a pro  
4 rata basis.

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

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

10 NOTICE TO CUSTOMER

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

15 Your total electrical service cost	\$ . . . . .
16 Less state equalization	\$ . . . . .
17 Your charge	\$ . . . . .; or

18 (2) give to its electric service customers a notice ap-  
19 proved by the authority, which notice provides electric service cus-  
20 tomers the same information provided by the notice in (1) of this  
21 subsection.

22 (1) In order to qualify for power cost equalization, each elec-  
23 tric utility must make every reasonable effort to minimize administra-  
24 tive, operating, and overhead costs, including using the best avail-  
25 able technology consistent with sound utility management practices.  
26 In reviewing applications for power cost equalization, the commission  
27 has the authority to require the elimination of duplicative or other-  
28 wise unnecessary operating expenses. Each eligible electric utility  
29 shall cooperate with appropriate state agencies to implement cost-

1 effective energy conservation measures, and to plan for and implement  
2 feasible alternatives to diesel generation.

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

7 (n) 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 (A) each corporation (whether public, cooperative, or  
16 otherwise), company, individual, or association of individuals,  
17 their lessees, trustees, or receivers appointed by a court, that  
18 owns, operates, manages, or controls a plant or system for the  
19 furnishing, by generation, transmission or distribution, of  
20 electric service to the public for compensation; and

21 (B) during calendar year 1983 had a residential con-  
22 sumption level of power eligible for power cost equalization  
23 under this chapter of less than 7,500 megawatt hours or had a  
24 residential consumption level of power eligible for power cost  
25 equalization under this chapter of less than 15,000 megawatt  
26 hours if the utility served two or more municipalities or unin-  
27 corporated communities; and

28 (C) uses diesel-fired generators to produce more than  
29 75 percent of the electrical consumption of the utility; or

1 (D) nothing in this section precludes a new or exist-  
2 ing utility from applying for assistance if they meet the re-  
3 quirements in (n)(1)(A)-(C).

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

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

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

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

19 (o) If the authority receives a petition requesting power cost  
20 equalization, signed by at least 25 percent of the customers of an  
21 electric utility that is subject to rate regulation under AS 42.05 and  
22 that has not applied for power cost equalization under this section,  
23 the authority shall require the utility to submit a power cost equali-  
24 zation application. Upon a determination of eligibility for power  
25 cost equalization, the utility, as a part of its service, shall re-  
26 ceive power cost equalization and pass power cost equalization bene-  
27 fits to its customers in accordance with this section.

28 \* Sec. 2. AS 44.83.163 is amended to read:

29 Sec. 44.83.163. ADJUSTMENTS TO POWER COST EQUALIZATION

1 [ASSISTANCE]. (a) The power cost equalization [ASSISTANCE] per  
2 kilowatt-hour determined under AS 44.83.162 payable to an electric  
3 utility that is subject to rate regulation under AS 42.05 may be  
4 adjusted by the commission if

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

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

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

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

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

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

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

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

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

1 (5) any commission-approved amendments to the schedule of  
2 rates in effect during the preceding month; and

3 (6) an increase or decrease in the current unit price of  
4 fuel from the base price used by the commission in the determination  
5 of power costs which may be expected to result in a subsequent power  
6 cost equalization [ASSISTANCE] adjustment.

7 (c) The provisions of AS 44.83.162 relating to the determination  
8 of the amount of power cost equalization [ASSISTANCE] and payment of  
9 the equalization assistance apply to equalization assistance under  
10 this section.

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

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

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

21 (2) reports monthly to the authority, within the time and  
22 in the form the authority requires, the information required in (b) of  
23 this section;

24 (3) sets rates

25 (A) that consider the power cost equalization [ASSIST-  
26 ANCE] provided under AS 44.83.162 by subtracting from its revenue  
27 requirements for electric services the power cost equalization  
28 [ASSISTANCE] per kilowatt-hour that it is eligible to receive;  
29 and

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

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

8 (5) furnishes its electric service customers eligible under  
9 this program a notice as specified in AS 44.83.162(k).

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

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 amendments to the schedule of rates in effect  
23 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 that [WHICH] may be expected to result in a subsequent  
27 equalization assistance level adjustment.

28 (c) An electric utility that is eligible to receive power cost  
29 equalization [ASSISTANCE] under this section may have its power cost

1       equalization [ASSISTANCE] per kilowatt-hour determination changed by  
2       the commission if

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

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

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

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

12              (d) The provisions of AS 44.83.162 relating to the determination  
13       of the amount of power cost equalization [ASSISTANCE] and payment of  
14       the equalization assistance apply to equalization assistance under  
15       this section.

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

20       \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
21       10.070(c).

COMMITTEE REPORT  
HOUSE

5/24  
Ruler

(11)

FURTHER:

(Returned to Finance from Calendar 5/10/84)

Date: 5-24-84

5/10/84

The Committee on FINANCE has had SB 376am

"An Act relating to power cost assistance; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for SB 376 (2d Fin)  same title  
 new title
- and recommends no recommendation
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation  Zero Fiscal Note Attached
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Robert P. Adams

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MEMBERS HAVING  
OTHER RECOMMENDATIONS:

R. Buttworth No REC

for review (no rec)

Frank J. Smith No Rec - e

D. L. Martin No Rec

John Martin No Rec

John Martin - no rec

Robert P. Adams

CHAIRMAN

COMMITTEE REPORT  
HOUSE

(11)

FURTHER:

(Returned to Finance from Calendar 5/10/84)

Date: 5-11-84

5/19/84

The Committee on FINANCE has had SB 376am

"An Act relating to power cost assistance and providing for an effective date."

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MEMBERS SIGNING  
DO PASS

[Signature]  
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MEMBERS HAVING  
OTHER RECOMMENDATIONS:

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[Signature]  
\_\_\_\_\_  
CHAIRMAN

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
Bill/Resolution No.: HCS (2nd Fin) SB 375  
Title: Power Cost Assistance

FISCAL DETAIL  
Agency Affected: Commerce & Econ. Dev.  
Program Category Affected: \_\_\_\_\_

Sponsor: Sackett, Ferguson  
Requestor: House Finance  
Date of Request: 5/12/84

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
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100 PERSONAL SERVICES						
200 TRAVEL						
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TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

There is fiscal impact from this bill. An appropriation to cover the fiscal impact will be provided in a separate appropriations measure.

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair *AA* Phone: 465-3706  
Division: House Finance Committee Date: 5/12/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

12/1/83

Original sponsors: Sackett and Ferguson

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 376 (2d Finance)

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  
15 electric utilities in the state. The fund shall be administered by  
16 the authority as a fund distinct from the other funds of the author-  
17 ity. The fund is composed of money appropriated for the purpose of  
18 providing power cost equalization to eligible electric utilities.

19 (b) The costs used to calculate the amount of power cost  
20 equalization for all electric utilities eligible under this section  
21 include all allowable costs, except return on equity, used by the  
22 commission to determine the revenue requirement for electric utilities  
23 subject to rate regulation under AS 42.05.010 - 42.05.721. The costs  
24 used in determining the power cost equalization per kilowatt-hour  
25 shall exclude any other type of assistance that reduces the customer's  
26 costs of power on a kilowatt-hour basis and that is provided to the  
27 electric utility within 60 days before the commission determines the  
28 power cost 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;

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  
by using kilowatt hours generated.

24 (e) An electric utility whose customers receive power cost  
25 equalization under this section shall set out in its tariff the rates  
26 without the power cost equalization and the amount of power cost  
27 equalization per kilowatt-hour sold. The rate charged to the customer  
28 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

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the form the authority requires; and

(2) use operational equipment designed to meter individual utility customer power consumption and to determine and record the utility's overall fuel consumption.

(j) The authority shall review the report required under (i)(1) of this section and may submit the report to the commission for additional review before payment. After review and approval of the report by the authority, the authority shall, subject to appropriation, pay to each eligible electric utility an amount equal to the power cost equalization per kilowatt-hour determined by the commission under (b) and (d) of this section, multiplied by the number of kilowatt-hours eligible for power cost equalization that were sold during the preceding month to all customers of the utility in accordance with (c) of this section. Payment shall be made by the authority within 30 days after receipt from the utility of the report required under (i) 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 for review within 30 days after its receipt by the authority. 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, based on a commission determination. If appropriations are insufficient for payment in full, the amount paid to each electric utility is reduced on a pro rata basis.

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

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

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 29.38.015.

(n) In this section

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

1 (2) "community facility" means a water and sewer facility,  
2 public outdoor lighting, charitable educational facility, or community  
3 building whose operations are not paid for by the state, the federal  
4 government, or private commercial interests;

5 (3) "eligible electric utility" or "electric utility" means

6 (A) each corporation (whether public, cooperative, or  
7 otherwise), company, individual, or association of individuals,  
8 their lessees, trustees, or receivers appointed by a court, that  
9 owns, operates, manages, or controls a plant or system for the  
10 furnishing, by generation, transmission or distribution, of  
11 electric service to the public for compensation; and

12 (B) during calendar year 1983 had a consumption level  
13 of less than 7,500 megawatt hours and received assistance under  
14 this chapter or less than 15,000 megawatt hours and received  
15 assistance under this chapter if the utility served two or more  
16 municipalities or unincorporated communities; and

17 (C) uses diesel-fired generators to produce more than  
18 75 percent of the electrical consumption of the utility; or

19 (D) nothing in this section precludes a new or  
20 existing utility from applying for assistance if they meet the  
21 requirements in (n) <sup>3</sup>(A)-(C).

22 (4) "energy conservation measures" include weatherization and  
23 other insulating methods, utilization of waste heat, appropriate  
24 sizing of new generating equipment, and other programs of the state or  
25 federal government intended and available for the purpose of energy  
26 conservation;

27 (5) "feasible energy projects" include projects that are  
28 selected after a field reconnaissance study under AS 44.83.177 and  
29 after completion of a feasibility study according to the criteria in

1 AS 44.83.181 to determine cost benefit in comparison to existing power  
2 generating methods and other alternatives considered in reconnaissance  
3 studies;

4 (6) "fund" means the power cost equalization fund  
5 established under (a) of this section;

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

8 (c) If the authority receives a petition requesting power cost  
9 equalization, signed by at least 25 percent of the customers of an  
10 electric utility that is subject to rate regulation under AS 42.05 and  
11 that has not applied for power cost equalization under this section,  
12 the authority shall require the utility to submit a power cost equali-  
13 zation application. Upon a determination of eligibility for power  
14 cost equalization, the utility, as a part of its service, shall re-  
15 ceive power cost equalization and pass power cost equalization bene-  
16 fits to its customers in accordance with this section.

17 \* Sec. 2. AS 44.83.163 is amended to read:

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

23 (1) an increase or decrease in the electric 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 or decrease has  
been approved by the commission, thereby establishing a higher or  
lower power cost;

(3) an adjustment is required after the authority has

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discovered discrepancies in its review of monthly data submitted by the electric utility; or

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

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

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

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

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

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

(5) any commission-approved amendments to the schedule of rates in effect during the preceding month; and

(6) an increase or decrease in the current unit price of fuel from the base price used by the commission in the determination of power costs which may be expected to result in a subsequent power cost equalization [ASSISTANCE] adjustment.

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

\* Sec. 2. AS 44.83.164 is amended to read:

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

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

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

14           (3) sets rates

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

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

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

27           (5) furnishes its electric service customers eligible under  
28 this program a notice as specified in AS 44.83.162(k).

29           (b) An electric utility that is eligible to receive power cost

1 equalization [ASSISTANCE] under this section shall report in accor-  
2 dance with (a)(2) of this section

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

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

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

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

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

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

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

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

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

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

29 (4) the authority determines that appropriations are

1 insufficient to finance full payments to eligible electric utilities.

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

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

10 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.-  
11 10.070(c).

ANALYSIS HCS SB 376 2d(Fin)

Section 1.

(a) Purpose statement reflects that fund should be used to equalize electric power rates throughout state.

(b) No change from existing law.

(c) Increases from 55 to 70 community facilities and from 600 to 750 for residential customers the amount of kilowatts a month to receive equalization. Anything over those amounts the consumer pays the full cost of electricity.

(d) Places the rate equalization floor at 8.4¢ per kilowatt hour. Currently, there is a 14¢ to \$47¢ limit.

(e) References change to monthly kilowatt hours to receive equalization.

(f)-(m) No change from existing law.

(n) Changes definition of eligible utility to receive equalization by placing a threshold of 7500 megawatt hours consumed during calendar year 1983. If the utility served more than one community, the threshold is 15,000 megawatt hours consumed during calendar year 1983. Any utility under these thresholds would receive rate equalization.

(o) Allows for 25% of a utilities consumers to petition the APUC to receive rate equalization.

Section 2 and 3. Changes word "assistance" to "equalization".

Section 4. Immediate effective date.

# COMMITTEE REPORT

## HOUSE

(11)

FURTHER:

3/9/64

Date: 5-8-64

The Committee on FINANCE has had SB 376am

"An Act relating to power cost assistance; and providing for an effective date."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with <sup>47</sup>CS for SB 376 (am)  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Interest"  New Fiscal Note 5-7-64  
 Zero Fiscal Note Attached
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

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JOSIE H. FRITZ

\_\_\_\_\_  
CHAIRMAN

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HCS SB376 (FIN)  
Title: Power cost assistance

FISCAL DETAIL

Agency Affected: Commerce & Econ. Devel/  
Program Category Affected: \_\_\_\_\_

Sponsor: Sackett, Ferguson  
Requestor: House Finance  
Date of Request: 5/7/84

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		91.0*				
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>						
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND		91.0*				
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

~~SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL~~

\*The Finance C.S has additional fiscal impact. However, the necessary funds will be provided in an appropriations bill.

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair  
Division: House Finance Committee

Phone: 465-3706  
Date: 5/7/84

Approved by Commissioner: \_\_\_\_\_  
Agency: \_\_\_\_\_

Date: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Original sponsors: Sackett and Ferguson

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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

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 equal to  
13 the mean of the cost per kilowatt-hour in Anchorage, Fairbanks, and  
14 Juneau by paying money from the fund to eligible electric utilities in  
15 the state. The fund shall be administered by the authority as a fund  
16 distinct from the other funds of the authority. The fund is composed  
17 of money appropriated for the purpose of providing power cost  
18 equalization to eligible electric utilities.

19 (b) The costs used to calculate the amount of power cost  
20 equalization for all electric utilities eligible under this section  
21 include all allowable costs, except return on equity, used by the  
22 commission to determine the revenue requirement for electric utilities  
23 subject to rate regulation under AS 42.05.010 - 42.05.721. The costs  
24 used in determining the power cost equalization per kilowatt-hour  
25 shall exclude any other type of assistance that reduces the customer's  
26 costs of power on a kilowatt-hour basis and that is provided to the  
27 electric utility within 60 days before the commission determines the  
28 power cost 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 6.4  
17 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  
13 preceding month to all customers of the utility in accordance with (c)  
14 of 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  
20 commission 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 rat 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:

1 NOTICE TO CUSTOMER

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

6 Your total electrical service cost \$ . . . . .  
7 Less state equalization \$ . . . . .  
8 Your charge \$ . . . . . or

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

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

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

27 (n) In this section

28 (1) "commission" means the Alaska Public Utilities Commis-  
29 sion;

1 (2) "community facility" means a water and sewer facility,  
2 public outdoor lighting, charitable educational facility, or community  
3 building whose operations are not paid for by the state, the federal  
4 government, or private commercial interests;

5 (3) "eligible electric utility" or "electric utility" means  
6 each corporation (whether public, cooperative, or otherwise), company,  
7 individual, or association of individuals, their lessees, trustees, or  
8 receivers appointed by a court, that owns, operates, manages, or  
9 controls a plant or system for the furnishing, by generation, trans-  
10 mission or distribution, of electric service to the public for compen-  
11 sation;

12 (4) "energy conservation measures" include weatherization  
13 and other insulating methods, utilization of waste heat, appropriate  
14 sizing of new generating equipment, and other programs of the state or  
15 federal government intended and available for the purpose of energy  
16 conservation;

17 (5) "feasible energy projects" include projects that are  
18 selected after a field reconnaissance study under AS 44.83.177 and  
19 after completion of a feasibility study according to the criteria in  
20 AS 44.83.181 to determine cost benefit in comparison to existing power  
21 generating methods and other alternatives considered in reconnaissance  
22 studies;

23 (6) "fund" means the power cost equalization fund  
24 established under (a) of this section;

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

27 (c) If the authority receives a petition requesting power cost  
28 equalization, signed by at least 25 percent of the customers of an  
29 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  
3 equalization application. Upon a determination of eligibility for  
4 power cost equalization, the utility, as a part of its service, shall  
5 receive power cost equalization and pass power cost equalization  
6 benefits to its customers in accordance with this section.

7 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
8 10.070(c).  
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ANALYSIS HCS SB 376(FIN)

SECTION 1. (a) This subsection specifies that the purpose of the power cost assistance fund is to equalize power cost around the state.

(b) No change from existing law.

(c)(1) Changes from 55 to 70 kilowatt hours the allowable rate stabilization for community facilities under the program.

(c)(2) Changes from 600 to 750 kilowatt hours the allowable rate stabilization for residential consumers under the program.

(d)(1) Changes from June 30, ~~1982~~<sup>1982</sup> to June 30, 1985 the fiscal year to begin calculations for the new program revisions. Also, a new threshold of 6.4¢ a kilowatt is allowed. This removes the the thresholds of 45¢ as the upper limit and 12¢ as the lower limit.

(d)(2) Removes extraneous language and provides for the Alaska Public Utilities Commission to determine the power cost to be paid to a utility under the program.

(d)(3) No change from existing law.

(e) Changes from 55 to 70 and 600 to 750 the allowable monthly kilowatt hours eligible to receive rate stabilization for both community facilities and residential customers.

(f)-(n) No change from existing law.

(o) New section to allow 25 percent of the customers of a utility subject to rate regulation to petition the APUC to be included in the power cost assistance program.

Section 2. Immediate effective date.

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

FOUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3300

MEMORANDUM

May 25, 1984

MAY 25 1984

SUBJECT: HCS SB 376 (2d Finance)  
TO: Representative Tony Vaska  
FROM: *LHA* Linn H. Asper  
Legislative Counsel

I have received a copy of the May 25 memorandum from Jim Plasman of your office, regarding problems with the above-referenced bill. This office did not prepare the second Finance Committee substitute. The question raised by Mr. Plasman on the definition of "consumption level" is a valid one. It is my opinion that as written the term "consumption level" refers to the total consumption or sales of a utility, rather than only to the consumption or sales that are eligible for power cost assistance. The qualifying language proposed by Mr. Plasman is necessary to give the subsection the meaning that is apparently intended.

The May 25 memorandum also refers to subparagraph (D) of AS 44.83.162(n)(3). Having reviewed that subparagraph, I am unable to determine its meaning. It should be redrafted after the intent of the author is ascertained.

LHA:ojb  
J8/005

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 5/10/84

REQUEST

Bill/Resolution No.: HR5376 (Fin)

Title: Power Equalization

Program

Sponsor: SACKETT & Ferguson

Requestor: Commissioner Lyon

Date of Request: 5-10-84

FISCAL DETAIL

Agency Affected: Alaska Power Authority

Program Category Affected: \_\_\_\_\_

SPU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	30.0	100.0	101.0	102.5	104.0	105.5
200 TRAVEL						
300 CONTRACTUAL	10.0	60.0	70.0	70.0	80.0	80.0
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	8,300.0	135,250.0	138,775.0	142,625.0	149,050.3	151,502.3
800 MISCELLANEOUS						
TOTAL OPERATING	8,340.0	135,410.0	138,946.0	142,825.0	149,234.3	151,689.3
INCREASES			10.0%	10%	15%	5%
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	8,340.0	135,410.0	138,946.0	142,825.0	149,234.3	151,689.3
FEDERAL FUNDS						
OTHER						
TOTAL	8,340.0	135,410.0	138,946.0	142,825.0	149,234.3	151,689.3

POSITIONS:

FULL-TIME	0	2**	2	2	2	2
PART-TIME	2*	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

\*Consists of an Accountant Technician & and Economist; \*\*includes a full time Grants Administrator & Accounting Technician

ANALYSIS: Attach a separate page for analysis

Prepared by: Heinz W. Noonan, Senior Economist

Phone: (907) 276-0002

Division: Alaska Power Authority

Date: 5-10-84

Approved by Commissioner: *[Signature]*

Date: 5-11-84

Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

12/1/83

Sample of Revenue Requirement Increase

	<u>Power Cost Assistance Program</u>	<u>Power Equalization Program</u>
Non Fuel Power Costs	25.0c	25.0c
Fuel Power Costs	25.0c	25.0c
<u>Total Power Costs</u>	<u>50.0</u>	<u>50.0c</u>
Less Power Costs Exceeding 45c/Kwh	-0.6c	-6.4c
Less 14.0c/Kwh	-14.0c	N/A
<u>Power Costs/Kwh</u>	<u>31.0c</u>	<u>43.6c</u>
Eligible Assistance	_____	_____
Multipified By: 95 Percent Assistance Level	29.45c	41.42c
<u>Power Cost Assistance per Kwh</u>	<u>29.45c</u>	<u>41.42c</u>

At the 6.4c/kwh minimum power cost level the general fund revenue requirements for FY 1985 would be approximately:

6.40c rate floor

Rural Assistance - 132,050 Mwh X (25.76c - 6.40c) =	\$25,564,800 est.
95 percent reduction	\$ 1,350,200 est.
Subtotal	<u>\$24,204,600 est.</u>
Other assistance - 751,693 Mwh X (10.15c - 6.40c) =	\$23,188,500 est.
95 percent reduction	\$11,404,700 est.
Subtotal	<u>\$16,283,200 est.</u>
Total	<u><u>\$40,983,400 est.</u></u>

The present funding level request for the Power Cost Assistance Program is \$9,218,200 for FY 1985, when compared to the proposed Power Equalization Program it is estimated to require a funding level of \$40,988,400; representing a 345 percent increase. Let me reiterate the \$40,988,400 represents the total funds needed to fund the entire program assuming all the customers/community facilities already have all the anticipated and required electric durable hardware and therefore have the immediate capability to respond to the reduction in the electricity prices.

In the Fiscal Note, the FY 1985 request was scaled down to \$35,250,000 (a fourteen percent reduction) from the required total funding level of \$40,998,400; this is due to the fact that within the first year, the total impact cannot be economically or financially achieved. This lag is primarily due to the acquisition backlog of electric durable hardware and the rural consumer delayed price reaction. Inclusive in this analysis is also the fact that the customer will be facing a definite substitution and comparative income effect given this electricity pricing scenario.

This proposed legislation is a clear attempt to bring the State power system within a "Postage Stamp" parameter. As noted previously, it will clearly represent a redistribution of the State's wealth and a clear benefit to the electric rate payers on a state-wide basis. It should, however, be noted that this legislation is one-hundred-eighty degrees (180°) from the National Energy Policy Act. In that this legislation will subsidize electric rates which will bring about a definite increase in consumption of electricity. The exact magnitude depends primarily upon the elasticity of demand. On the national level, the economic and financial focus is more on a conservation mode and toward obtaining an equilibrium position relative to meeting electrical demand levels rather than encouraging the increase use of electricity. It should again be noted that any major demand increases in electricity in the rural sector will have a definite lag period of approximately 1 to 2 years. Within the urban sector the increased demand lag should be more immediate but comparatively smaller due to the existing pricing and demand structures.

Options:

(1) 8.00¢/Kwh rate floor (Excludes AEL&P and Sitka)

Rural Assistance	\$22,118,300 est.
Other Assistance	<u>5,637,700 est.</u>
Total	\$27,826,000 est.

(2) 7.50¢/Kwh rate floor (Excludes AEL&P and Sitka)

Rural Assistance	\$22,778,500 est.
Other Assistance	<u>8,848,800 est.</u>
Total	\$31,627,300 est.

(3) 7.25¢/Kwh rate floor (Excludes Sitka)

Rural Assistance	\$23,108,700 est.
Other Assistance	<u>10,578,300 est.</u>
Total	\$33,687,000 est.

(4) 7.00¢/Kwh rate floor (Excludes Sitka)

Rural Assistance	\$23,438,300 est.
Other Assistance	<u>12,399,500 est.</u>
Total	\$35,838,300 est.

(5) 6.75¢/Kwh rate floor

Rural Assistance	\$23,768,900 est.
Other Assistance	<u>14,269,800 est.</u>
Total	\$38,038,700 est.

The previous Power Equalization Assistance analysis (Option 1 - 5 ) were taken out of context from an Alaska State Legislature memorandum from Richard Rainery, Rural Research Agency to Senator Frank Ferguson, Chairman, Community and Regional Affairs Committee - May 1, 1984.

The new full time positions are required to administer the Power Equalization Program, namely, a Grants Administrator and an Accounting Technician. To oversee the \$35 million Program, the Grants Administrator would work directly with the APUC relative to the formation of rates and the Power Authority total Power Equalization Funding Program (i.e. Project Manager). Duties include funding levels, general administration, statistical economic and financial analysis. The Accounting Technician would be assigned on a full-time basis to do the monthly billings and day to day operation of the Program.

FISCAL NOTE

Revision Date: 5/11/84

REQUEST  
 Bill/Resolution No.: HCS8376 (Fin)  
 Title: Relating to power cost assistance  
 Sponsor: Sackert and Ferguson  
 Requestor:  
 Date of Request: 5/10/84

FISCAL DETAIL Dept. of Commerce &  
 Agency Affected: Economic Development  
 Program Category Affected: Consumer Protection  
 BRU, Program or Subprogram(s) Affected:  
Alaska Public Utilities Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES		123.9	123.9	123.9	123.9	123.9
200 TRAVEL		10.0*	10.6*	11.2*	11.9*	12.6*
300 CONTRACTUAL		32.0	-0-	-0-	-0-	-0-
400 SUPPLIES		1.2	1.3	1.3	1.4	1.5
500 EQUIPMENT		5.2	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES		8.0	8.0	8.0	8.0	8.0
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>178.3</b>	<b>143.8</b>	<b>144.4</b>	<b>145.2</b>	<b>146.0</b>
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND		178.3	143.8	144.4	145.2	146.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		<b>178.3</b>	<b>143.8</b>	<b>144.4</b>	<b>145.2</b>	<b>146.0</b>

POSITIONS:

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

\*Travel for 85-89 does not include travel for assisting Alaska Power Authority in their compliance audits.

ANALYSIS: Attach a separate page for analysis.

Prepared By: John B. Farleich, Executive Director Phone: 276-5222

Division: Alaska Public Utilities Commission Date: ~~MAY 10 1984~~ 5/10/84

Approved by Commissioner: [Signature] Date: 5.11.84

Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

## FISCAL NOTE ANALYSIS

HCS for SB 376

### Assumptions:

The resolution under analysis includes a restructuring of the Power Cost Assistance (PCA) program and a complete redefinition of eligibility standards and computation methodology. It is assumed that significantly more utilities will be eligible for PCA under the new guidelines and that these utilities will, in fact, apply for the assistance. Changes in methodology also will acquire relatively frequent adjustments for many of the participants in the program as base rates change in Anchorage, Fairbanks, and Juneau.

### Program Summary:

- 1.) The Alaska Public Utilities Commission would acquire the services of a Utility Financial Analyst (UFA) and Utility Tariff Analyst (UTA) to provide the professional processing and analytical skills necessary to implement the expanded (PCA) program. Support services of one Administrative Support Technician (AST) would also be called for to facilitate the increased document flow and computer input generated by new and adjusted PCA applications.
- 2.) In conjunction with (1) above, the Commission also includes an estimated 50.0 in one-time contractual expenditures for the computer enhancements necessary to implement the new PCA methodology. Also projected is the travel costs associated with staff compliance audits (assuming this is not funded in the future by the Alaska Power Authority). Formula allocations for equipment, supplies and expanded office space requirements make up the balance of the request.
- 3.) All costs associated with the new PCA program are General Fund expenditures.
- 4.) Costs associated in the computer enhancement and initial equipment purchases are one-time expenditures. Other cost categories are continuing and may be adjusted by future Legislative action.

1.	POSITION TITLE Utility Financial Analyst II			RANGE/STEP 19A	DEPT. UNIT G	FORM 12	PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER (New)	BRD PRIORITY 1	LOCATION EPA	ELECTION DISTRICT 7	LEG.		
3.	CONTINUATION LEVEL		ADDITION	JUSTIFICATION						
4.	TYPE OF EXPENDITURE			HCSSD376 concerns the establishment of a major projects fund and the restructuring of the Power Cost Assistance Program (PCA). If approved, this bill will result in wider eligibility and an increase in PCA requests. These increased requests will also result in expanded audit requirements. The bill also establishes a new methodology for computing the appropriate level of PCA to be granted to a given applicant. This methodology is based on the average cost of power in Anchorage, Fairbanks and Juneau. Therefore, changes that may occur in the base cost will require adjustments to all PCA computations.						
	PERSONAL SERVICES									
5.	Salary		38,124							
6.	Benefits		6,226							
7.	Supplemental Benefits		2,337							
8.	Fixed Benefits		2,728							
9.	TOTAL PERSONAL SERVICES		01	49,415						
10.	Travel		02	0						
11.	Contractual		03	0						
12.	Commodities		04	400						
13.	Equipment		05	2,025						
14.	Other			3,000						
15.	TOTAL COST			54,838						
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Match 1003								
19.		General Funds 1004		54,838						
20.		I A Receipts 1005								
21.		Program Receipts 1020								
		Other								
FOR BDM USE ONLY 9A KEY NUMBER _____										

JUSTIFICATION  
 HCSSD376 concerns the establishment of a major projects fund and the restructuring of the Power Cost Assistance Program (PCA). If approved, this bill will result in wider eligibility and an increase in PCA requests. These increased requests will also result in expanded audit requirements. The bill also establishes a new methodology for computing the appropriate level of PCA to be granted to a given applicant. This methodology is based on the average cost of power in Anchorage, Fairbanks and Juneau. Therefore, changes that may occur in the base cost will require adjustments to all PCA computations.

Because of these factors, a Utility Financial Analyst will be necessary to provide audit and other analytical services.

**13** REQUEST FOR  
NEW POSITION

AGENCY ALASKA PUBLIC UTILITIES COMMISSION

PROGRAM CONSUMER PROTECTION

BRU ALASKA PUBLIC UTILITIES COMMISSION

COMPONENT \_\_\_\_\_

**FY 85**

Page 1 of 3  
Revised Date \_\_\_\_\_

1.	POSITION TITLE Utility Tariff Analyst II			RANGE/SILP 17A	MANG. UNIT G	FORM 12 PAGE/LINE	GOV.	AM/ROV.	DISAP.
2.	TYPE OF POSITION PFT	STAFF NUMBER 12	HP NUMBER NEW	BRU PRIORITY	LOCATION ERA	ELECTION DISTRICT 7	LEC.		

3.	CONTINUATION LEVEL		ADDITION
4.	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
	PERSONAL SERVICES		
5.	Salary	33,084	
6.	Benefits	5,402	
7.	Supplemental Benefits	2,028	
8.	Fixed Benefits	2,728	
9.	TOTAL PERSONAL SERVICES	01	43,242
10.	Travel	02	0
11.	Contractual	03	0
12.	Commodities	04	400
13.	Equipment	05	2,025
14.	Other Office space 125sq ft (P01) x 12 mo		3,000
15.	TOTAL COST x 2.00 sq. ft.		48,667

**JUSTIFICATION**

HSSSB376 concerns the establishment of a major projects fund and the restructuring of the Power Cost Assistance Program (PCA): If approved, the resolution will result in wider eligibility, and an anticipated increase in PCA requests. These increased requests will also result in expanded audit requirements. This bill also establishes a new methodology for computing the appropriate level of PCA to be granted to a given applicant. This methodology is based on the average cost of power in Anchorage, Fairbanks, and Juneau. Therefore, changes that may occur in the base cost will require adjustments to all PCA computations.

The addition of another full-time tariff analyst would be required to handle the tariff filings which would be a result of this additional regulatory function.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		G.F. Match 1003	
18.		General Funds 1004	48,667
19.		I-A Receipts 1005	
20.		Program Receipts 1020	
21.		Other	

FOR B&M USE ONLY  
 AA KEY NUMBER \_\_\_\_\_

**13 REQUEST FOR NEW POSITION**

AGENCY ALASKA PUBLIC UTILITIES COMMISSION  
 PROGRAM CONSUMER PROTECTION  
 BRU ALASKA PUBLIC UTILITIES COMMISSION  
 COMPONENT \_\_\_\_\_

Page 2 of 3  
 Revised Date \_\_\_\_\_

**FY 85**

1.	POSITION TITLE ADMINISTRATIVE SUPPORT TECHNICIAN, II (ASST)			RANGE/STEP 0a	BARG UNIT G	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER NEW	URU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 7	ICC.	
3.	CONTINUATION LEVEL			ADDITION	JUSTIFICATION				
4.	TYPE OF EXPENDITURE			AMOUNT	<p>An Administrative Support Technician II position will be required to provide support for the additional Utility Financial Analyst II and Utility Tariff Analyst II positions being requested.</p> <p>This position will be required to facilitate the increased document flow and computer input generated by new and adjusted PCA applications.</p>				
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	18636							
6.	Benefits	3043							
7.	Supplemental Benefits	1142							
8.	Fixed Benefits	2728							
9.	TOTAL PERSONAL SERVICES	01	25549						
10.	Travel	02	0						
11.	Contractual	03	0						
12.	Commodities	04	400						
13.	Equipment	05	1200						
14.	Other Office Space 83 sq. ft (SP6) x 12mo		1992						
15.	TOTAL COST @ \$2.00		29141						
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts	1002						
17.		C.F. Match	1003						
18.		General Funds	1004	29141					
19.		I-A Receipts	1005						
20.		Program Receipts	1020						
21.		Other							

FOR BSH USE ONLY  
4A KEY NUMBER \_\_\_\_\_

**13** REQUEST FOR  
NEW POSITION

AGENCY ALASKA PUBLIC UTILITIES COMMISSION  
 PROGRAM CONSUMER PROTECTION  
 URU ALASKA PUBLIC UTILITIES COMMISSION  
 COMPONENT \_\_\_\_\_

**FY 85**

Page 3 of 3  
Revised Date \_\_\_\_\_



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

To: All House Members

From: Sen. Frank R. Ferguson *FR*

Date: May 10, 1984

Subj: HCS SB 376(Fin)

Some House members have asked if I would write a memorandum to clarify the purpose of HCS SB 376(Fin).

HCS SB 376(Fin) would provide the authorization for the power cost assistance program changes. The funding for the HCS SB 376(Fin) will be included in a separate appropriation bill.

The bill makes three changes to existing law and adds a new section.

1. Changes from 55 to 70 kilowatt hours the allowable monthly rate assistance for community facilities.
2. Changes from 600 to 750 kilowatt hours the allowable monthly rate assistance for residential consumers.
3. Removes the 45¢ upper limit and 12¢ lower limit on the cost per kilowatt hour assistance and creates a new threshold of 6.4¢ as the cost per kilowatt hour for assistance.
4. Adds a new section to allow 25% of the customers of a utility subject to rate regulation to petition the Alaska Public Utilities Commission for inclusion into the power cost assistance program.

With these changes the following utilities will become eligible for power cost assistance:

Alaska Electric Light & Power, Fairbanks Municipal, Glacier Highway Electric(Juneau), Glennallen, Golden Valley Electric, Homer Electric, Ketchikan, Matanuska Electric, Petersburg, Seward, Sitka, Valdez, Wrangell and rural utilities.

Only those communities with a rate lower than 6.4¢ a kilowatt hour will not be covered under the program which includes Chugach Electric and Municipal Light and Power. Customers of these two utilities already have electric rates that are lower than 6.4¢ per kilowatt.

PAGE 2

The program costs are projected to remain fairly constant over the next five years. This occurs because only the first 750 kilowatt hours receive assistance. Any amount of usage above 750 kilowatts the consumer pays the full cost of electricity without any assistance. Keeping the monthly assistance only for the first 750 kilowatts a month will keep an effective cap on the program cost.

The total fiscal impact for HCS SB 376(Fin) is \$35 million dollars. The fiscal impact was calculated by the Rural Research Agency in conjunction with the APUC and Alaska Power Authority.

If you have any questions, please contact my office.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HCS SB376 (FIN)  
Title: Power cost assistance

FISCAL DETAIL

Agency Affected: Commerce & Econ. Devel/  
Program Category Affected: \_\_\_\_\_

Sponsor: Sackett, Ferguson  
Requestor: House Finance  
Date of Request: 5/7/84

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		91.0*				
800 MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		91.0*				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

~~SOURCE OF FUNDS TO ORIGIN FISCAL IMPACT OF BY~~

\*The Finance C.S has additional fiscal impact. However, the necessary funds will be provided in an appropriations bill.

ANALYSIS: Attach a separate page for analysis

Prepared By: Al Adams, Chair <sup>ADA</sup> Phone: 465-3706  
Division: House Finance Committee Date: 5/7/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB 276 am  
Title: Relating to power cost assistance  
Sponsor: Sackett, Ferguson  
Requestor: Senate C & RA  
Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Commerce & Economic Development  
Program Category Affected: Development  
BRU, Program or Subprogram(s) Affected: Alaska Power Authority

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	N/A	91.0	91.0	91.0	91.0	91.0
800 MISCELLANEOUS						
TOTAL OPERATING	N/A	91.0	91.0	91.0	91.0	91.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: George Matz, Special Assistant Phone: 465-2079  
Division: Office of the Commissioner Date: \_\_\_\_\_  
Approved by Commissioner: Richard A. Lyon Date: 2/7/84  
Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

12/1/83

ANALYSIS  
SB 376

A one percent increase for grant payments is expected which is approximately equal to the percentage increase in the utilities that would participate in the program.

(F) development of a project under financing arrangements with other entities using leveraged leases or other financing methods;

(G) an appropriation for a power project acquired or constructed under the energy program for Alaska (AS 44.83.380 — 44.83.425). (S 1 ch. 278 SLA 1976; am §§ 6 — 11 ch 156 SLA 1978; am §§ 16, 17 ch 83 SLA 1980; am § 5 ch 118 SLA 1981)

Revisor's notes. — In paragraph (16) AS 01.05.031 (b).  
 (G), a reference to AS 44.83.400 — Effect of amendments. — The 1981  
 44.83.510 was changed to AS 44.83.380 — amendment added subparagraph (G) of  
 44.83.425 to reflect numbering changes paragraph (16).  
 made by the revisor of statutes pursuant to

**Sec. 44.83.090. Power contracts and the Alaska Public Utilities Commission.** (a) The authority shall, in addition to the other methods which it may find advantageous, provide a method by which municipal electric, rural electric, cooperative electric, or private electric utilities and regional electric authorities, or other persons authorized by law to engage in the distribution of electricity may secure a reasonable share of the power generated by a project, or any interest in a project, or for any right to the power and shall sell the power or cause the power to be sold at the lowest reasonable prices which cover the full cost of the electricity or services, including capital and operating costs, debt coverage as considered appropriate by the authority, and other charges that may be authorized by AS 44.83.010 — 44.83.510. Except for a contract or lease entered into under AS 44.83.380 — 44.83.425, a contract or lease for the sale, transmission and distribution of power generated by a project or any right to the capacity of it shall provide:

(1) for payment of all operating and maintenance expenses of a project and costs of renewals, replacements and improvements of it;

(2) for interest on and amortization charges sufficient to retire bonds of the authority issued for the project and reserves for them, plus a debt service coverage factor as may be determined by the authority to be necessary for the marketability of its bonds;

(3) for monitoring of the project by the authority or its agents;

(4) for full and complete disclosure to the authority of all factors of costs in the transmission and distribution of power, so that rates to any persons may be fixed initially in the contract or lease and may be adjusted from time to time on the basis of true cost data;

(5) for periodic revisions of the service and rates to persons on the basis of accurate cost data obtained by the accounting methods and systems approved by the directors and in furtherance and effectuation of the policy declared in AS 44.83.010 — 44.83.510;

(6) for the cancellation and termination of a contract or lease upon violation of its terms by any person;

rangements with  
ing methods;  
ed or constructed  
- 44.83.425). (§ 1  
m §§ 16, 17 ch 83

ments. — The 1981  
subparagraph (C) of

Alaska Public  
dition to the other  
method by which  
c, or private elec-  
er persons autho-  
city may secure a  
t, or any interest  
sell the power or  
rices which cover  
ding capital and  
ate by the author.

AS 44.83.010  
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rovements of it;  
ent to retire bonds  
them, plus a debt  
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(7) for security for performance as the authority may consider practicable and advisable, including provisions assuring the continuance of the distribution and transmission of power generated by a project and the use of its facilities for these purposes; and

(8) other terms not inconsistent with the provisions and policy of this chapter as the authority may consider advisable.

(b) The authority is not subject to the jurisdiction of the Alaska Public Utilities Commission. Nothing in AS 44.83.010 — 44.83.510 grants the authority any jurisdiction over the services or rates of any public utility or diminishes or otherwise alters the jurisdiction of the Alaska Public Utilities Commission with respect to any public utility, including any right the commission may have to review and approve or disapprove contracts for the purchase of electricity by a public utility. (§ 1 ch 278 SLA 1976; am § 12 ch 156 SLA 1978; am § 6 ch 118 SLA 1981)

Revisor's notes. — In the second sentence of subsection (a), a reference to AS 44.83.400 — 44.83.510 was changed to AS 44.83.380 — 44.83.425 to reflect numbering changes made by the revisor of statutes under AS 01.05.031(b).

Effect of amendments. — The 1981 amendment substituted "except for a

contract or lease entered into under AS 44.83.380 — 44.83.425, a" for "a" preceding "contract" and added "or lease" preceding "for the sale" in the second sentence of subsection (a) and added "or lease" following "contract" in paragraphs (4) and (6) of subsection (a).

Sec. 44.83.092. Authority for municipalities and utilities to enter into power sales contracts. The authority and any municipality or public or private entity operating an electric utility, or a municipality or private entity and another municipality or private entity, may enter into a contract providing for or relating to the sale of electric power by the authority to the municipality or entity, or by the municipality or entity to another municipality or entity. The contract may provide

- (1) that the amounts payable under the contract are operating expenses of the utility and are valid and binding obligations of the municipality or other entity payable from the gross revenues of the utility;
- (2) for one or more appropriations of the amounts payable under the contract;
- (3) for the municipality or other entity to assume the obligations of another contracting party in the event of a default by that party;
- (4) that after completion of a project the municipality or other entity is obligated to make payments notwithstanding a suspension or reduction in the amount of the power supplied by the project; or
- (5) that payments under the contract are not subject to reduction by offset or otherwise. (§ 3 ch 89 SLA 1983)

or to be valid, binding or effective against the parties. (§ 1 ch 278 SLA 1976; am § 6 ch 89 SLA 1983)

**Effect of amendments.** — The 1983 amendment, effective July 22, 1983, substituted "is considered perfected and is valid" for "shall be valid" near the

beginning of the first sentence and inserted "perfected or to be" in the second sentence.

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

**Section**

- 162. Power cost assistance
- 163. Adjustments to power cost assistance

**Section**

- 164. Assistance to utilities not regulated by Public Utilities Commission

**Editor's notes.** — Sections 51 and 54, ch. 83, SLA 1980, purporting to repeal this

article effective July 1, 1985, were repealed by § 13, ch. 118, SLA 1981.

**Sec. 44.83.162. Power cost assistance.** (a) The power cost assistance fund is established as a separate fund to provide financial assistance to eligible electric utilities in the state. The fund shall be administered by the authority as a fund distinct from other funds of the authority. The fund is composed of money appropriated for the purpose of providing power cost assistance to an eligible electric utility.

(b) The costs used to calculate the amount of power cost assistance for all electric utilities eligible under this section include all allowable costs, except return on equity, used by the commission to determine the revenue requirement for electric utilities subject to rate regulation under AS 42.05.010 — 42.05.721. The costs used in determining the power cost assistance per kilowatt-hour shall exclude any other type of assistance that reduces the customer's costs of power on a kilowatt-hour basis and that is provided to the electric utility within 60 days before the commission determines the power cost assistance per kilowatt-hour of the electric utility.

(c) An eligible electric utility is entitled to receive power cost assistance

(1) for sales of power to local community facilities, calculated in the aggregate for each community served by the electric utility, for actual consumption of not more than 55 kilowatt-hours per month for each resident of the community; and

(2) for actual consumption of not more than 600 kilowatt-hours per month sold to each customer in all classes served by the electric utility except to customers of the utility under (1) of this subsection.

(d) The amount of power cost assistance provided per kilowatt-hour under (c) of this section may not exceed 95 percent of the power costs, or the average rate per eligible kilowatt-hour sold, whichever is less, as determined by the commission. However,

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(1) during the fiscal year ending June 30, 1982, the power costs for which power cost assistance may be paid to an electric utility are limited to minimum power costs of more than 12 cents per kilowatt-hour and less than 45 cents per kilowatt-hour;

(2) during each following fiscal year, the power costs for which power cost assistance may be paid to an electric utility are limited to

(A) power costs that are greater than the minimum power costs specified in (1) of this subsection plus one cent per kilowatt-hour for the fiscal year ending June 30, 1983, plus one cent per kilowatt-hour for each fiscal year thereafter; and

(B) power costs of less than 45 cents per kilowatt-hour; and

(3) the power cost assistance per kilowatt-hour may be determined using kilowatt-hours generated for utilities with no historical kilowatt-hour sales data.

(e) An electric utility whose customers receive assistance under this section shall set out in its tariff the rates without the power cost assistance provided in this section and the amount of power cost assistance per kilowatt-hour sold. The rate charged to the customer shall be the difference between the two amounts. Power cost assistance paid under this section shall be used to reduce the cost of all power sold to local community facilities, in the aggregate, to the extent of 55 kilowatt-hours per month per resident of the community, and to reduce the cost of the first 600 kilowatt-hours per customer per month for all other classes served by the electric utility.

(f) The power cost assistance program shall be administered by the authority based on a determination by the commission under (b) and (d) of this section of power cost assistance per kilowatt-hour for each eligible electric utility.

(g) An eligible electric utility may not be denied power cost assistance because complete cost information is not available. An eligible electric utility that is exempt from rate regulation under AS 42.05.010 — 42.05.721 shall be assisted by the commission to provide the cost information the commission considers necessary to comply with the requirements of this section. Only power costs that are supportable may be considered in calculating power cost assistance. Each electric utility is responsible for keeping records that provide the information necessary to comply with the requirements of this section including, but not limited to, records of monthly kilowatt-hour sales or generation, monthly fuel balances, fuel purchases, and monthly utility fuel consumption.

(h) For each eligible electric utility, the determination of the cost of fuel by the commission shall be in accordance with the procedure for approving fuel cost rate adjustments of electric utilities subject to rate regulation under AS 42.05.010 — 42.05.721.

(i) Each electric utility receiving power cost assistance approved by the commission shall

(1) report monthly to the authority within the time and in the form the authority requires; and

(2) use operational equipment designed to meter individual utility customer power consumption and to determine and record the utility's overall fuel consumption.

(j) The authority shall review the report required under (i)(1) of this section and may submit the report to the commission for additional review before payment. After review and approval of the report by the authority, the authority shall, subject to appropriation, pay to each eligible electric utility an amount equal to the power cost assistance per kilowatt-hour determined by the commission under (b) and (d) of this section, multiplied by the number of kilowatt-hours eligible for power cost assistance that were sold during the preceding month to all customers of the utility in accordance with (c) of this section. Payment shall be made by the authority within 30 days after receipt from the utility of the report required under (i) 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 for review within 30 days after its receipt by the authority. 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, based on a commission determination. If appropriations are insufficient for payment in full, the amount paid to each electric utility is reduced on a pro rata basis.

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

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

**NOTICE TO CUSTOMER**

For the current billing period the utility will be paid under the State of Alaska's power 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	\$ . . . . . 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.

(l) In order to qualify for power cost assistance, 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 assistance, the commission has

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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) In this section

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

(2) "community facility" means a water and sewer facility, public outdoor lighting, charitable educational facility, or community building whose operations are not paid for by the state, the federal government, or private commercial interests;

(3) "eligible electric utility" or "electric utility" means each corporation (whether public, cooperative, or otherwise), company, individual, or association of individuals, their lessees, trustees, or receivers appointed by a court, that owns, operates, manages, or controls a plant or system for the furnishing, by generation, transmission or distribution, of electric service to the public for compensation;

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

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

(6) "fund" means the power cost assistance fund established under (a) of this section;

(7) "power costs" means costs used in determining the power cost assistance in accordance with (b) and (d) of this section. (§ 42 ch 83 SLA 1980; am § 8 ch 118 SLA 1981; am § 3 ch 79 SLA 1983)

**Effect of amendments.** — The 1981 amendment rewrote this section.

The 1983 amendment, effective July 20, 1983, in subsection (1), deleted "including but not limited to the Alaska Public Utilities Commission, the Alaska Power Authority, the Alaska Energy Center, and the division of energy and power development in the Department of Commerce and Economic Development" following "appropriate state agencies" in the last sentence.

**Editor's notes.** — Section 16, ch. 118, SLA 1981, provides: "TRANSITIONAL PROVISIONS, POWER COST ASSISTANCE. The Alaska Power Authority shall make payments to eligible electric utilities in accordance with AS 44.83.162 as that section read before its repeal and reenactment by sec. 8 of this Act, until the earlier of

- "(1) January 1, 1982; or
- "(2) the date on which the Alaska Power Authority determines, with respect to the electric utility, that

"(A) the electric utility has had sufficient time to apply for power cost assistance under AS 44.83.162 as that section is reenacted in sec. 8 of this Act, and the Alaska Public Utilities Commission has had sufficient time to review the application; or

"(B) the Alaska Power Authority or the Alaska Public Utilities Commission determines that the electric utility is not eligi-

ble for power cost assistance under AS 44.83.162 as that section is reenacted in sec. 8 of this Act."

The reference to AS 44.83.177 in subsection (n)(5) was substituted for a reference to AS 44.33.090 by the revisor of statutes under authority of AS 01.05.031(b). AS 44.33.090 does not exist and reconnaissance studies are covered by AS 44.83.177.

**Sec. 44.83.163. Adjustments to power cost assistance.** (a) The power cost assistance per kilowatt-hour determined under AS 44.83.162 payable to an electric utility that is subject to rate regulation under AS 42.05.010 — 42.05.721 may be adjusted by the commission if

(1) an increase or decrease in the electric 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 or decrease has been approved by the commission, thereby establishing a higher or lower power cost;

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

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

(b) An electric utility that is eligible to receive power cost assistance under this section and that receives power cost assistance per kilowatt-hour approved by the commission shall report monthly to the authority within the time and in the form the authority requires. An electric utility shall report

(1) the power cost assistance per kilowatt-hour approved by the commission;

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

(3) the total kilowatt-hours eligible for power cost assistance under this section sold to each class of customer during the preceding month;

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

(5) any commission-approved amendments to the schedule of rates in effect during the preceding month; and

(6) an increase or decrease in the current unit price of fuel from the base price used by the commission in the determination of power costs which may be expected to result in a subsequent power cost assistance adjustment.

(c) The provisions of AS 44.83.162 relating to the determination of the amount of power cost assistance and payment of the assistance apply to assistance under this section. (§ 9 ch 118 SLA 1981)

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**Sec. 44.83.164. Assistance to utilities not regulated by Public Utilities Commission.** (a) An electric utility that is not subject to rate regulation by the commission may receive power cost assistance if the utility is otherwise eligible for assistance under AS 44.83.162 and if the utility

(1) files with the commission financial data necessary to determine the power cost assistance per kilowatt-hour as prescribed by the commission and which is in compliance with AS 44.83.162;

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

(3) sets rates

(A) that consider the power cost assistance provided under AS 44.83.162 by subtracting from its revenue requirements for electric services the power cost assistance per kilowatt-hour that it is eligible to receive; and

(B) under which the power cost assistance provided in AS 44.83.162 is applied as a credit only against the cost of kilowatt-hours eligible for assistance under AS 44.83.162 that are consumed by each customer in any month;

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

(5) furnishes its electric service customers eligible under this program a notice as specified in AS 44.83.162(k).

(b) An electric utility that is eligible to receive power cost assistance under this section shall report in accordance with (a)(2) of this section

(1) the power cost assistance per kilowatt-hour approved by the commission;

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

(3) the total kilowatt-hours eligible for power cost assistance under this section sold to each class of customer during the preceding month;

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

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

(6) an increase or decrease in the current unit price of fuel from the base price used by the commission in the determination of power costs which may be expected to result in a subsequent assistance level adjustment.

(c) An electric utility that is eligible to receive power cost assistance under this section may have its power cost assistance per kilowatt-hour determination changed by the commission if

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

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

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

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

(d) The provisions of AS 44.83.162 relating to the determination of the amount of power cost assistance and payment of the assistance apply to assistance under this section.

(e) An application for power cost assistance by an electric utility that is eligible to receive power cost assistance under this section does not extend the jurisdiction of the commission beyond that established by AS 42.05.010 — 42.05.721. (§ 42 ch 83 SLA 1980; am § 10 ch 118 SLA 1981)

**Effect of amendments.** — This 1981 amendment rewrote this section.

**Article 6. General Provisions.**

<b>Section</b>	<b>Section</b>
177. Reconnaissance study	185. Submission to the legislature
179. Review of reconnaissance study by office of management and budget	186. [Repealed]
181. Feasibility study and finance plan	187. Applicability of sections
183. Review of feasibility studies and plans of finance by office of management and budget	192. Insurance requirements in construction contracts
	195. Operation of projects
	230. Definitions

**Sec. 44.83.177. Reconnaissance study.** (a) To identify power project alternatives and energy consumption patterns and needs for a community or region, the authority shall, after consultation with other state agencies and after review of information on alternative sources of energy, complete a reconnaissance study for each proposed new power project or combination of projects.

(b) A reconnaissance study shall

(1) identify the present and anticipated electrical and thermal energy requirements of a community or region;

(2) survey all electrical and thermal energy sources and combinations of sources available to the community or region and evaluate the relative economic merits of alternative sources of power and heat, including energy conservation;

(3) assess the effect of development of alternative sources of power and heat on the environment; and

(4) include public comment from residents of the community and adjacent area.

(c) The authority, in consultation with the office of management and budget, shall adopt regulations defining

(1) the methods which it shall apply to determine that the information required by (b) of this section is obtained; and

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(2) standard criteria and measures for comparative analysis of alter-  
native energy sources.

(d) In completing a reconnaissance study, the authority shall consult  
with the Department of Community and Regional Affairs to determine  
the information that each may require for energy planning and the  
development of technology. (§ 24 ch 83 SLA 1980; am § 11 ch 118 SLA  
1981; am §§ 3 — 5 ch 133 SLA 1982; am § 4 ch 79 SLA 1983; am § 28  
ch 63 SLA 1983)

Effect of amendments. — The 1981  
amendment added subsection (d).

The 1982 amendment, in subsection (a),  
inserted "and energy consumption pat-  
terns and needs" and "or region," substi-  
tuted "sources of energy" for "sources of  
power," and added "or combination of  
projects" to the end. The amendment also  
rewrote subsection (b), which defines the  
scope of a reconnaissance study, and sub-  
stituted "alternative energy sources" for  
"alternative power sources" in paragraph  
(2) of subsection (c).

The first 1983 amendment, effective  
July 15, 1983, substituted "office of  
management and budget" for "division of  
budget and management" in subsection  
(c).

The second 1983 amendment, effective  
July 20, 1983, substituted "Department of  
Community and Regional Affairs" for  
"division of energy and power  
development in the Department of Com-  
merce and Economic Development" in sub-  
section (d).

**Sec. 44.83.179. Review of reconnaissance study by office of  
management and budget.** (a) The office of management and budget  
in the Office of the Governor shall review reconnaissance studies for  
proposed projects of the authority.

(b) The review shall examine each reconnaissance study for compli-  
ance with the requirements of AS 44.83.177(b) and (c). The office of  
management and budget may approve or disapprove a reconnaissance  
study. If the office of management and budget disapproves of a  
reconnaissance study, it shall return the reconnaissance study to the  
authority together with a comprehensive statement of the reasons for  
its disapproval. The authority may amend the portions of the  
reconnaissance study which the office of management and budget  
identifies as deficient and resubmit the reconnaissance study to the  
office of management and budget for reconsideration.

(c) For purposes of this section, a power project is approved if the  
reconnaissance study for the project has not been disapproved by the  
office of management and budget within 30 days of submission of the  
reconnaissance study for the project to it by the authority. (§ 24 ch 83  
SLA 1980; am § 28 ch 63 SLA 1983)

Effect of amendments. — The 1983  
amendment, effective July 15, 1983, sub-  
stituted "office of management and

budget" for "division of budget and  
management" throughout this section.

**Sec. 44.83.181. Feasibility study and finance plan.** (a) Unless  
the reconnaissance study has been disapproved by the office of  
management and budget under AS 44.83.179, the authority shall com-

APR 27 1984



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

### MEMORANDUM

To: Senator Frank Ferguson  
Chairman, Community and Regional Affairs Committee

Attn: Mike Scott

From: Richard Rainery *RR*  
Rural Research Agency

Date: April 27, 1984

Subject: Power Cost Assistance Program cost at 95% of power costs

Alaska Statute 44.83.162 (d) stipulates that "the amount of power cost assistance provided per kilowatt-hour under (c) of this section may not exceed 95 percent of the power costs, or the average rate per eligible Kilowatt-hour sold, whichever is less..." Previous calculations of the costs of a revised Power Cost Assistance Program (PCAP), by both this agency and the Alaska Public Utilities Commission (APUC) and Alaska Power Authority (APA) have been based on the average rate per eligible kilowatt-hour (KWH) sold.<sup>1</sup> The assumption was that statute would be amended to exclude the "95% clause". At your request, the APUC has examined the impact of retaining current statutory language, as quoted above, on the costs of altering the eligibility floor for the PCAP. That information was included in a memorandum to the Rural Research Agency (RRA), dated April 25, 1984. The APUC calculations are summarized in the next section. As we have made some slightly different assumptions than has the APUC and included some utilities they did not in our calculations, the second section notes those differences and our approach to accounting for those differences in our final computations. The final section then indicates what the likely costs of various eligibility floors would be, in our view.

#### I. APUC Calculation of PCAP Assistance Under 95% Clause

The APUC's original reckoning of the costs of revising the PCAP included a number of rate floors. In this case, APUC examined only one, the 8.36¢ per KWH rate they identified as "the average cost per KWH to purchase 600 residential KWH for Anchorage, Fairbanks and Juneau (excludes GHEA)."<sup>2</sup> The following table shows the APUC's first

1. APUC, letter to Mike Scott, 4/3/84; APA, undated work sheets; Rural Research Agency, memorandums, 4/2/84 and 4/11/84.
2. APUC, letter, 4/3/84, p. 1.

computations in the first column, the affect of basing assistance on 95% of power costs is shown in the second column and the adjusted level of power cost assistance in the third. Jack Farleigh, executive director of the APUC, stated that the reductions due to the 95% clause can be applied to any eligibility floor as the number of KWH eligible would be the same and likewise associated costs. He also cautioned that the numbers provided were approximations, that cost data is particularly fluid and that in some instances the APUC made estimates based on the best information available.

Table I

PCAP Costs Based On 95% of Power Costs

At 8.36¢ Per Kilowatt-hour (FY 85 \$)

Utilities	Cost Based On Average Rate	Reduction for 95% of Costs	Cost Based On 95% of Costs
Rural	\$16,701,155	\$950,000	\$15,751,155
Four Dam Pool	3,362,141	500,000	2,862,141
Railbelt	8,507,329	7,500,000	1,007,329
Snettisham	618,280	200,000	418,280
Increased			
Rural demand	12,566,617	1,000,000	11,566,617
Total	\$41,755,522	\$10,150,000	\$31,605,522

Source: APUC, letter, 4/3/84 and memorandum to Richard Rainery, 4/25/84.

If the 95% cost basis for PCAP assistance is retained in statute, the impact is significant. In the case of the 8.36¢/KWH rate calculated by the APUC, the projected FY 85 funding requirement for the PCAP is reduced by about \$10,000,000 or better than 24% of the amount required if assistance is based on the average rate for eligible consumption. The largest reduction is in the railbelt where rates are by far the lowest of any of the categories defined by the APUC.

II. Reconciliation of APUC and RRA Assumptions and Components

The categories of utilities established by the APUC and APA for purposes of their computations do not match those used by ourselves. We included a number of utilities that the APA did not include and the information used by ourselves for rates and eligible KWH differed from that in the APA's original calculations. Our data for these elements was, we believe, in some cases, more accurate and current than that used by the APA (whose statistics formed the basis for the APUC analyses), particularly in regard to consumption. In any event, the final difference between our tallies and those of the APA/APUC differ significantly in only two areas which will be noted below as we indicate the individual steps we took to reconcile these inconsistencies. The use of and modifications to APUC figures made by ourselves in order to identify the impact of basing assistance upon

3. Jack Farleigh, APUC, telephone conversation, 4/27/84.

95% of the costs of power for our estimates of the costs of various eligibility floors for the PCAP are listed below. Based upon the APUC's statement that the reductions attributable to the 95% clause should be relatively constant, we have determined the amount per KWH that assistance would be reduced and applied that to our own estimates of consumption in FY 85 to develop a relevant overall reduction amount. (All figures from APUC letter of 4/3/84, APUC memorandum of 4/25/84, and RRA memorandums of 4/2/84 and 4/11/84, except where noted).

1. Rural Utilities:

APUC - 95% reduction	\$950,000	
Eligible KWH	88,000,000	(our estimate, based on APA computations and APUC letter of 4/3/84)
Reduction/KWH	1.08¢	
RRA - Eligible KWH	110,863,500	(we project 95-100 new utilities, APA only 29)
95% reduction	\$1,197,300	

2. Four Dam Pool Utilities:

APUC - 95% reduction	\$500,000	
Eligible KWH	56,133,000	
Reduction/KWH	.89¢	
RRA - Eligible KWH	106,873,000	(we include Ketchikan, APUC does not)
95% reduction	\$951,200	

3. Railbelt Utilities:

APUC - 95% reduction	\$7,500,000	
Eligible KWH	405,647,000	
Reduction/KWH	1.85¢	
RRA - Eligible KWH	419,136,000	
95% reduction	\$7,754,000	

4. Snettisham Utilities:

APUC - 95% reduction	\$200,000	
Eligible KWH	8,200,000	(Glacier Highway Electric Association, or GHEA, rural Juneau only)
Reduction/KWH	2.44¢	
RRA - Eligible KWH	8,965,000	
95% reduction	\$218,700	

5. Other Utilities Not Included By APUC (not qualified at 8.36¢ rate floor):

Alaska Electric Light and Power (AELP), Juneau -		
Rate/eligible KWH	7.76¢	
95% of rate	7.37¢	(assumes all costs eligible)
Reduction/KWH	.39¢	
Eligible KWH	69,021,000	
95% reduction	269,200	

Sitka Municipal Utility -		
Rate/eligible KWH	7.20¢	(provided by utility)
95% of rate	6.84¢	(assumes all costs eligible)
Reduction/KWH	.36¢	
Eligible KWH	18,545,000	(provided by utility)
95% reduction	\$66,800	

TOTAL REDUCTION                      \$10,390,400

The APUC, in addition to the above categories, has asserted that the inauguration of lower PCAP eligibility floors will stimulate increased demand for electricity in rural Alaska. We have not reached the same conclusion and have pointed out that there is no evidence to support that assertion. The original establishment of the program does not appear to have kindled increases in consumption.<sup>4</sup> Consumption for utility categories other than the rural utilities have been calculated at the maximum possible eligible level. We do, however, in the next section, present estimates of the costs of several rate eligibility floors, so that a level which does allow a reserve for demand increases may be selected.

### III. Revised PCAP Costs

With the information from the previous section and earlier tallies of rates and eligibility, we can determine the costs of funding the revised PCAP at a number of rate eligibility floors. Table II indicates the rates for eligible KWH and corresponding eligible KWH consumption for all affected utilities.

Table II

#### PCAP Eligible Rates and Consumption

<u>Utility</u>	<u>FY 85 Rate/KWH</u>	<u>FY 85 Eligible Consumption</u>
Wrangell	17.30¢	8,629 MWH
Petersburg	13.13	11,299
Glennallen	14.46	7,462
Valdez	13.18	11,092
Ketchikan	8.62	47,205
Seward	9.32*	7,300
MEA	10.92*	138,950
HEA	9.31*	89,061
FMUS	8.07*	46,590
GVEA	11.55*	137,235
AELP	7.76*	69,021
GHEA (rural Juneau)	10.96	8,965
Sitka	7.20	18,545
PCAP Participants	24.44	100,436
Other Rural Utilities	32.07	31,614
Average/Total	13.04¢	733,444 MWH

Source: RRA memorandums, 4/2/84 and 4/11/84, and \* APUC letter, 4/3/84

The following formulas then indicate the funding required to operate the PCAP at several eligibility floor standards, based upon the average assistance level (average rate minus the eligibility entry point), the eligible KWH and the reduction to this overall level of assistance as a result of the retention of the 95% clause.

1. 8.00¢ rate floor (excludes Sitka and AELP):
 

645,878 MWH x (13.77¢ - 8.00¢) =	\$37,267,200	(full assistance)
	<u>-10,054,400</u>	(95% reduction)
	\$27,212,800	
  
2. 7.50¢ rate floor (excludes Sitka and AELP):
 

645,878 MWH x (13.77¢ - 7.50¢) =	\$40,496,600
	<u>-10,054,400</u>
	\$30,442,200
  
3. 7.25¢ rate floor (excludes Sitka):
 

714,899 MWH x (13.19¢ - 7.25¢) =	\$42,465,000
	<u>-10,323,600</u>
	\$32,141,400
  
4. 7.00¢ rate floor (excludes Sitka):
 

714,899 MWH x (13.19¢ - 7.00¢) =	\$44,252,200
	<u>-10,323,600</u>
	\$33,928,600
  
5. 6.75¢ rate floor:
 

733,444 MWH x (13.04¢ - 6.75¢) =	\$46,133,600
	<u>-10,390,400</u>
	\$35,743,200

These figures suggest the maximum funding level required for the options examined. They may overstate actual funding required, particularly if the number of potential other rural utilities joining the program is overestimated. Again, we do not explicitly consider any possible increase in demand prompted by reductions in electric rates in rural areas. It should also be noted it is believed that any such surge in demand will not be manifested for two to three years, so time to adjust the program, if necessary, exists. In any case, the alternative rate floors examined allows the selection of an eligibility level which, assuming a \$35,000,000 appropriation, will leave a reserve should demand increase unexpectedly.

February 6, 1984

M E M O R A N D U M

To: SENATOR JOHN SACKETT  
SENATOR FRANK FERGUSON

From: Max Gifford  
Administrative Aide

Subj: SB-376, POWER COST ASSISTANCE PROGRAM

This bill would create a new subsection in AS 44.83.162, permitting at least 25% of the customers of a regulated power utility to petition the Alaska Power Authority to require the utility in question to submit a power cost assistance application.

Currently, there are some customers of regulated utilities who DO NOT benefit from the power production subsidy authorized by the legislature in 1981.

The figure of 25% was selected to conform with other provisions of law (AS 42.05) relating to regulation of public utilities.

Attached are letters and articles relating to the problem.

FEB 03 1984



**CITY OF CRAIG**

---

P.O. Box 23  
Craig, Alaska 99921  
(907) 826-3275

*SB-376*

January 31, 1984

Senator John Sackett  
Senator Frank Ferguson  
State Capitol  
Juneau, Alaska 99811

Dear Senators:

This is to support SB376 relating to the power cost assistance program.

The electric customers in Tok, Hydaburg, and Craig have tried for years to get our local utility, Alaska Power and Telephone Co. to participate in this program. Not until this month, after a costly effort and a resultant Alaska Public Utility Commission request for briefs on the subject, did AP&T apply for this program.

The enclosed letters from AP&T eloquently reflect the utility's position and our frustration.

It is unfortunate that a law like this is necessary and more unfortunate that it was not passed years ago.

Sincerely,

David R. Palmer  
City Administrator

DRP/hg  
cc: Liz Cuadra

# Alaska Power & Telephone Company

702 WATER STREET, PORT TOWNSEND, WASHINGTON 98368  
TELEPHONE (206)303-1733

REC'D JUL 27 1981

ALASKA SOUTHERN POWER COMPANY  
SKAGWAY POWER & LIGHT SYSTEM  
TOK POWER & LIGHT SYSTEM  
NATIONAL UTILITIES, INC.  
ALASKA CENTRAL TELEPHONE SYSTEM  
SKAGWAY TELEPHONE SYSTEM  
SOUTHERN ALASKA TELEPHONE SYSTEM  
ALASKA POWER & TELEPHONE CORPORATION

ARTHUR GARRETT  
Chairman  
NANCY GARRETT BROWN  
Vice Chairman  
MARGUERITE GARRETT  
Secretary  
MARIOS V. DAYMOND  
Asst. Secretary  
RALPH J. WILSON  
President  
VERNON I. NEITZER  
Vice President & Chief  
ROBERT S. GRUAM  
Vice President & Pres.

July 22, 1981

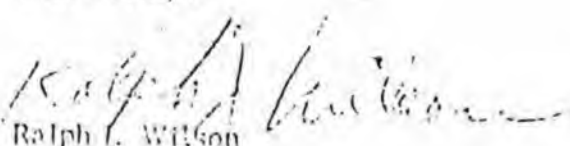
Mr. Thomas H. Abel, Administrator  
City of Craig  
P.O. Box 23  
Craig, Alaska 99921

Dear Mr. Abel:

In response to your letter of July 10, 1981, we feel that the program sets up a very dangerous situation where one person is charged one rate and another is charged a different rate. We are not sure that such discrimination is constitutional so we are not participating in the plan.

If the State is anxious to pay part of the power costs of certain people, it can make the payments directly to the people it chooses on any basis desired, thereby taking the responsibility for all questions of subsidization and discrimination upon itself, which is the proper role of a government agency.

Yours truly,

  
Ralph J. Wilson  
President

RJW:rlly

# Alaska Power & Telephone Company

707 WATER STREET, PORT TOWNSEND, WASHINGTON 98368  
TELEPHONE (206)385-1733

ASKA SOUTHERN POWER COMPANY  
AGWAY POWER & LIGHT SYSTEM  
K POWER & LIGHT SYSTEM  
ATIONAL UTILITIES, INC.  
ALASKA CENTRAL TELEPHONE SYSTEM  
SYAGWAY TELEPHONE SYSTEM  
SOUTHERN ALASKA TELEPHONE SYSTEM  
ASKA POWER & TELEPHONE CORPORATION

ARTHUR GARRETT  
Chairman  
NANCY GARRETT BROWN  
Vice Chairman  
MARGHERITE GARRETT  
Secretary  
MADILOU K. RAYMOND  
Senior Asst. Secretary

RALPH J. WILSON  
President  
VERNON J. HEITZER  
Vice President & Chief Engineer  
ROBERT S. GRIMM  
Vice President & Treasurer  
GAIL BROWN HOBBS  
Asst. Secretary & Asst. Treas.

September 11, 1981

Ms. Elizabeth J. Hickerson, Research Assistant  
Alaska Consumer Advocacy Program  
P.O. Box 1093  
Anchorage, Alaska 99510

Dear Ms. Hickerson:

Thank you for your letter and the copy of Mr. Ransom's letter. We provide power at Craig for less cost than the people of Klawock can get it under the program of the Alaska Power Authority and the Alaska Consumer Advocacy Program and we see no reason to change our program.

Yours truly,

  
Ralph J. Wilson  
President

RJW:rly



# ALASKA CONSUMER ADVOCACY PROGRAM

P.O. Box 1093 Anchorage, Alaska 99510 272-6355

81-113

September 29, 1981

Mr. Ralph Wilson, President  
Alaska Power & Telephone Company  
702 Water Street  
Port Townsend, Washington 98168

Dear Mr. Wilson:

Thank you for your letter of September 11, 1981. I wish to point out again that participation in the Power Cost Assistance Program does not lower the total production cost of power but rather reduces the amount that the individual customer pays. Even if you presently provide power at Craig "for less than the people of Klawock can get it under the program" the total monthly amount due from your Craig customers would be reduced if Alaska Power and Telephone Company would participate in the program.

You might also note that the Alaska Consumer Advocacy Program does not administer the Power Cost Assistance Program. We are a state funded program designed to aid utility customers with their problems.

I again urge you to participate in the program for the economic benefit of all your customers in Tok, Dot Lake, Hyaburg, Skagway and Craig.

Sincerely,

ALASKA CONSUMER ADVOCACY PROGRAM

*Elizabeth J. Hickerson*

Elizabeth J. Hickerson  
Research Assistant

EJH/ijm

cc: Mayor Robert Massogee  
Mayor James J. Sarague  
Mr. Adrian LeGorn  
Mr. Robert L. Bream  
Mr. Ray Wipperfurth  
Mr. Gary Ransom

# Alaska Power & Telephone Company

702 WATER STREET, PORT TOWNSEND, WASHINGTON 98368  
TELEPHONE (206) 385-1733

OCT 13 REC'D

ALASKA SOUTHERN POWER COMPANY  
SKAGWAY POWER & LIGHT SYSTEM  
YUKON POWER & LIGHT SYSTEM  
NATIONAL UTILITIES, INC.  
ALASKA CENTRAL TELEPHONE SYSTEM  
SKAGWAY TELEPHONE SYSTEM  
SOUTHERN ALASKA TELEPHONE SYSTEM  
ALASKA POWER & TELEPHONE CORPORATION

ARTHUR GARRETT Chairman	RALPH J. WILSON President
NANCY GARRETT BROWN Vice Chairman	VERNON J. NEITZER Vice President & Chief Engineer
MARGUERITE GARRETT Secretary	ROBERT S. GRIMM Vice President & Treasurer
MARILOU K. RAYMOND Senior Asst. Secretary	GAIL BROWN HOBBS Asst. Secretary & Asst. Treas.

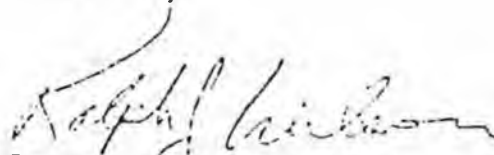
October 7, 1981

Elizabeth J. Hickerson, Research Assistant  
Alaska Consumer Advocacy Program  
P.O. Box 1093  
Anchorage, Alaska 99510

Dear Miss Hickerson:

If the State really wants to pay power costs and if you can get the payments made directly to the customer who is responsible for his charges, that would be just fine.

Yours truly,



Ralph J. Wilson  
President

RJW/ry

# Alaska State Legislature

Advisory Council Members  
Senator Kerttula, Chairman  
Senator Bennett  
Senator Fahrenkamp  
Senator Vic Fischer



Pouch V  
State Capitol  
Juneau, Alaska 99811  
Phone: (907) 465-3114

## SENATE ADVISORY COUNCIL

### MEMORANDUM

TO: Senator Sackett

FROM: Kurt S. Dzinich (KD)  
Senior Advisor

DATE: January 30, 1984

RE: Power Cost Assistance Fund

In response to your request regarding the APA's Power Cost Assistance Fund (AS44.83.162 through AS44.83.164), the following information is provided.

The attached two pages are taken from the 1983 Interim Report "The Alaska Power Authority -- an Internal Review" prepared by the House Committee on Resources and released last week. They summarize the program for FYs 81, 82 and 83. The appropriation for FY84 was \$8,300,000. As of today, there remains about \$4.7 million as detailed on the attached sheet.

In FY84, 95 communities serviced by 51 utilities are participating in this program according to APA. Using FY83 as a guide, the average monthly expenditure rate works out to about \$700,000. Based on that, it appears there are sufficient funds through the end of FY84.

For FY85, the Governor has requested \$7,153,300. I assume that they are planning to obtain some additional funds in order to insure that all of the FY85 requirements are met.

Current statutes do not contain a termination date for this program. Because the amount of assistance is limited to the difference between 12c/KWH (to be raised by 1c/KWH annually starting with FY83) and 45c/KWH, at some point in the future around year 2015 the program would run out, unless modified prior to that date.

## 2. POWER COST ASSISTANCE PROGRAM

This program was established in 1980 as the Power Production Cost Assistance Program, to provide state subsidy to high-cost residential power. In 1982 the program was changed to the Power Cost Assistant Program. Appropriations made to this program are for the explicit purpose of providing power cost assistance to eligible electric utilities. The Alaska Public Utilities Commission determines the utility cost, eligibility, and the amount of state assistance recieved by the communities.

### POWER COST ASSISTANCE PROGRAM

FY 81-83

Authorization	FY 81	FY 82	FY 83
Utility Name	Total Expended	Total Expended	Total Expended
Akiachiak Ltd..	0.00	2,295.98	40,682.61
Andreanof		3,628.44	30,917.53
Atmautlauk			3,487.74
AVEC (Election District 22, 23, 24, 25, 26 48 Villages)	1,088,603.69	2,724,722.58	3,239,296.93
Bethel Utilities		143,602.64	223,112.71
Bettles Light and Power		30,494.15	43,434.04
Chefornak Light Plant			1,613.78
Circle Electric			7,784.31
Copper Valley - Glennallen	65,951.47	119,307.69	0.00
Copper Valley - Valdez	72,333.42	245,060.78	0.00
Cordova Electric	97,894.45	236,408.98	247,759.32
Eagle Power			5,495.92
Ft. Yukon Utilities		41,953.17	111,201.23
Haines Light and Power	37,703.55	84,729.25	84,093.66
Hughes Light and Power		1,591.52	18,221.77
Iliamna-Newhalen			30,400.40
Kodiak Electric Assoc.-Kodiak	231,570.18	342,201.12	403,090.52
Kodiak Electric Assoc.-Pt. Lyons	32,209.74	106,637.19	128,356.08
Kotlik Electric Association		2,583.55	49,517.31
Kotzebue Electric Association	98,385.68	275,448.90	465,283.58
Kwethluk, Inc.			64,956.24

Levelock			20,281.65
M & D Enterprises		95,125.74	166,441.80
Manley Utility Corporation	2,138.86	18,305.67	17,175.01
Manokotak Natives Ltd.		5,811.68	42,771.77
McGrath Light and Power	33,932.82	90,603.83	124,207.10
Middle Kuskokwim			10,775.74
Naknek Electric - Naknek	43,418.54	175,798.36	224,696.87
Naknek Electric - Egegik	4,430.64	20,202.29	24,357.28
Napakiak Incinap		48,138.46	71,133.24
Napaskiak Inc.		14,185.88	35,610.55
Nelson Lagoon			6,522.28
Nikolai, City of			6,318.32
Nome Joint Utilities	72,511.56	463,302.15	391,876.32
North Slope Borough			92,900.67
Northern Power and Eng. (Coldbay)		10,658.70	16,518.15
Northway Light and Power			35,453.16
Nushagak Electric Coop.	80,622.55	202,745.29	278,768.62
Ouzinkie Utilities			40,143.07
Pelican		20,501.35	48,190.67
Puvurnaq Power Company			1,785.69
Ruby, City of		31,869.15	65,221.87
Takotna	378.26	9,363.33	9,076.18
Tanana Power		35,824.50	90,138.02
Tatitlek			1,570.01
Tetlin			1,941.26
Thorne Bay			5,974.48
Tlingit-Haida Electric Auth.	232,166.37	642,862.47	896,517.15
Unalakleet Valley	50,798.01	118,867.35	142,041.89
Unalaska, City of		73,060.46	163,898.74
Yakutat		26,655.42	52,672.48
TOTAL	<u>2,245,049.79</u>	<u>6,464,548.02</u>	<u>8,283,685.67</u>

501-000-0020  
 COMPONENT  
 04-01-83  
 STATE OF ALASKA  
 CURRENT YEAR AUTHORITY  
 ENERGY DEVELOPMENT  
 OPERATING  
 84/01/30  
 REVENUE BALANCE  
 COMMERCE & ECON DEV  
 POWER COST ASSISTANCE  
 YEAR-TO-DATE  
 BUDGET  
 ACTUAL  
 ACCRUED  
 \*\* BALANCE \*\*

EXPENDITURES  
 8,300,000.00  
 3,805,089.46  
 4,694,930.54  
 RESTRICTED REVENUES

501-000-0030  
 COMPONENT  
 04-01-83  
 STATE OF ALASKA  
 CURRENT YEAR OBJECT BALANCE  
 ENERGY DEVELOPMENT  
 OPERATING  
 84/01/30  
 LEVEL 1  
 COMMERCE & ECON DEV  
 POWER COST ASSISTANCE  
 AUTHORITY  
 AUTH-  
 UNALLOCATED FUNDS  
 8,300,000.00 BALANCE-  
 \* PERSONAL SERVICES & TRAVEL AND HOUSING  
 4,694,930.54  
 9,280.49  
 9,280.49-  
 CONSTRUCTION SERVICES\*SUPPLIES & MATERIALS, MACHINERY/EQUIPMENT  
 \*\*\* BALANCE \*\*\*  
 500/400/500  
 AUTHORITY  
 AUTH-  
 UNALLOCATED FUNDS  
 CAPITAL OUTLAY  
 ASSIST/BENEFITS/GRANTS  
 8,300,000.00  
 3,575,708.97  
 \*\*\* BALANCE \*\*\*  
 4,704,211.03

LEVEL 2

(F) development of a project under financing arrangements with other entities using leveraged leases or other financing methods;

(G) an appropriation for a power project acquired or constructed under the energy program for Alaska (AS 44.83.380 — 44.83.425). (§ 1 ch 278 SLA 1976; am §§ 6 — 11 ch 156 SLA 1978; am §§ 16, 17 ch 83 SLA 1980; am § 5 ch 118 SLA 1981)

Revisor's notes. — In paragraph (16) (G), a reference to AS 44.83.400 — 44.83.510 was changed to AS 44.83.380 — 44.83.425 to reflect numbering changes made by the revisor of statutes pursuant to

AS 01.05.031 (b).

Effect of amendments. — The 1981 amendment added subparagraph (G) of paragraph (16).

**Sec. 44.83.090. Power contracts and the Alaska Public Utilities Commission.** (a) The authority shall, in addition to the other methods which it may find advantageous, provide a method by which municipal electric, rural electric, cooperative electric, or private electric utilities and regional electric authorities, or other persons authorized by law to engage in the distribution of electricity may secure a reasonable share of the power generated by a project, or any interest in a project, or for any right to the power and shall sell the power or cause the power to be sold at the lowest reasonable prices which cover the full cost of the electricity or services, including capital and operating costs, debt coverage as considered appropriate by the authority, and other charges that may be authorized by AS 44.83.010 — 44.83.510. Except for a contract or lease entered into under AS 44.83.380 — 44.83.425, a contract or lease for the sale, transmission and distribution of power generated by a project or any right to the capacity of it shall provide:

(1) for payment of all operating and maintenance expenses of a project and costs of renewals, replacements and improvements of it;

(2) for interest on and amortization charges sufficient to retire bonds of the authority issued for the project and reserves for them, plus a debt service coverage factor as may be determined by the authority to be necessary for the marketability of its bonds;

(3) for monitoring of the project by the authority or its agents;

(4) for full and complete disclosure to the authority of all factors of costs in the transmission and distribution of power, so that rates to any persons may be fixed initially in the contract or lease and may be adjusted from time to time on the basis of true cost data;

(5) for periodic revisions of the service and rates to persons on the basis of accurate cost data obtained by the accounting methods and systems approved by the directors and in furtherance and effectuation of the policy declared in AS 44.83.010 — 44.83.510;

(6) for the cancellation and termination of a contract or lease upon violation of its terms by any person;

arrangements with  
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— 44.83.425). (§ 1  
m §§ 16, 17 ch 83

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ubparagraph (G) of

Alaska Public  
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city may secure a  
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sell the power or  
rices which cover  
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AS 44.83.010 —  
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any right to the

(7) for security for performance as the authority may consider practicable and advisable, including provisions assuring the continuance of the distribution and transmission of power generated by a project and the use of its facilities for these purposes; and

(8) other terms not inconsistent with the provisions and policy of this chapter as the authority may consider advisable.

(b) The authority is not subject to the jurisdiction of the Alaska Public Utilities Commission. Nothing in AS 44.83.010 — 44.83.510 grants the authority any jurisdiction over the services or rates of any public utility or diminishes or otherwise alters the jurisdiction of the Alaska Public Utilities Commission with respect to any public utility, including any right the commission may have to review and approve or disapprove contracts for the purchase of electricity by a public utility. (§ 1 ch 278 SLA 1976; am § 12 ch 156 SLA 1978; am § 6 ch 118 SLA 1981)

Revisor's notes. — In the second sentence of subsection (a), a reference to AS 44.83.400 — 44.83.510 was changed to AS 44.83.380 — 44.83.425 to reflect numbering changes made by the revisor of statutes under AS 01.05.031(b).

contract or lease entered into under AS 44.83.380 — 44.83.425, a" for "a" preceding "contract" and added "or lease" preceding "for the sale" in the second sentence of subsection (a) and added "or lease" following "contract" in paragraphs (4) and (6) of subsection (a).

Effect of amendments. — The 1981 amendment substituted "except for a

Sec. 44.83.092. Authority for municipalities and utilities to enter into power sales contracts. The authority and any municipality or public or private entity operating an electric utility, or a municipality or private entity and another municipality or private entity, may enter into a contract providing for or relating to the sale of electric power by the authority to the municipality or entity, or by the municipality or entity to another municipality or entity. The contract may provide

(1) that the amounts payable under the contract are operating expenses of the utility and are valid and binding obligations of the municipality or other entity payable from the gross revenues of the utility;

(2) for one or more appropriations of the amounts payable under the contract;

(3) for the municipality or other entity to assume the obligations of another contracting party in the event of a default by that party;

(4) that after completion of a project the municipality or other entity is obligated to make payments notwithstanding a suspension or reduction in the amount of the power supplied by the project; or

(5) that payments under the contract are not subject to reduction by offset or otherwise. (§ 3 ch 89 SLA 1983)

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or to be valid, binding or effective against the parties. (§ 1 ch 278 SLA 1976; am § 6 ch 89 SLA 1983)

**Effect of amendments.** — The 1983 amendment, effective July 22, 1983, substituted "is considered perfected and is valid" for "shall be valid" near the

beginning of the first sentence and inserted "perfected or to be" in the second sentence.

#### Article 4. Power Production Cost Assistance.

##### Section

162. Power cost assistance

163. Adjustments to power cost assistance

##### Section

164. Assistance to utilities not regulated by Public Utilities Commission

**Editor's notes.** — Sections 51 and 54, ch. 83, SLA 1980, purporting to repeal this

article effective July 1, 1985, were repealed by § 13, ch. 118, SLA 1981.

**Sec. 44.83.162. Power cost assistance.** (a) The power cost assistance fund is established as a separate fund to provide financial assistance to eligible electric utilities in the state. The fund shall be administered by the authority as a fund distinct from other funds of the authority. The fund is composed of money appropriated for the purpose of providing power cost assistance to an eligible electric utility.

(b) The costs used to calculate the amount of power cost assistance for all electric utilities eligible under this section include all allowable costs, except return on equity, used by the commission to determine the revenue requirement for electric utilities subject to rate regulation under AS 42.05.010 — 42.05.721. The costs used in determining the power cost assistance per kilowatt-hour shall exclude any other type of assistance that reduces the customer's costs of power on a kilowatt-hour basis and that is provided to the electric utility within 60 days before the commission determines the power cost assistance per kilowatt-hour of the electric utility.

(c) An eligible electric utility is entitled to receive power cost assistance

(1) for sales of power to local community facilities, calculated in the aggregate for each community served by the electric utility, for actual consumption of not more than 55 kilowatt-hours per month for each resident of the community; and

(2) for actual consumption of not more than 600 kilowatt-hours per month sold to each customer in all classes served by the electric utility except to customers of the utility under (1) of this subsection.

(d) The amount of power cost assistance provided per kilowatt-hour under (c) of this section may not exceed 95 percent of the power costs, or the average rate per eligible kilowatt-hour sold, whichever is less, as determined by the commission. However,

(1) during the fiscal year ending June 30, 1982, the power costs for which power cost assistance may be paid to an electric utility are limited to minimum power costs of more than 12 cents per kilowatt-hour and less than 45 cents per kilowatt-hour;

(2) during each following fiscal year, the power costs for which power cost assistance may be paid to an electric utility are limited to

(A) power costs that are greater than the minimum power costs specified in (1) of this subsection plus one cent per kilowatt-hour for the fiscal year ending June 30, 1983, plus one cent per kilowatt-hour for each fiscal year thereafter; and

(B) power costs of less than 45 cents per kilowatt-hour; and

(3) the power cost assistance per kilowatt-hour may be determined using kilowatt-hours generated for utilities with no historical kilowatt-hour sales data.

(e) An electric utility whose customers receive assistance under this section shall set out in its tariff the rates without the power cost assistance provided in this section and the amount of power cost assistance per kilowatt-hour sold. The rate charged to the customer shall be the difference between the two amounts. Power cost assistance paid under this section shall be used to reduce the cost of all power sold to local community facilities, in the aggregate, to the extent of 55 kilowatt-hours per month per resident of the community, and to reduce the cost of the first 600 kilowatt-hours per customer per month for all other classes served by the electric utility.

(f) The power cost assistance program shall be administered by the authority based on a determination by the commission under (b) and (d) of this section of power cost assistance per kilowatt-hour for each eligible electric utility.

(g) An eligible electric utility may not be denied power cost assistance because complete cost information is not available. An eligible electric utility that is exempt from rate regulation under AS 42.05.010 — 42.05.721 shall be assisted by the commission to provide the cost information the commission considers necessary to comply with the requirements of this section. Only power costs that are supportable may be considered in calculating power cost assistance. Each electric utility is responsible for keeping records that provide the information necessary to comply with the requirements of this section including, but not limited to, records of monthly kilowatt-hour sales or generation, monthly fuel balances, fuel purchases, and monthly utility fuel consumption.

(h) For each eligible electric utility, the determination of the cost of fuel by the commission shall be in accordance with the procedure for approving fuel cost rate adjustments of electric utilities subject to rate regulation under AS 42.05.010 — 42.05.721.

(i) Each electric utility receiving power cost assistance approved by the commission shall

(1) report monthly to the authority within the time and in the form the authority requires; and

(2) use operational equipment designed to meter individual utility customer power consumption and to determine and record the utility's overall fuel consumption.

(j) The authority shall review the report required under (i)(1) of this section and may submit the report to the commission for additional review before payment. After review and approval of the report by the authority, the authority shall, subject to appropriation, pay to each eligible electric utility an amount equal to the power cost assistance per kilowatt-hour determined by the commission under (b) and (d) of this section, multiplied by the number of kilowatt-hours eligible for power cost assistance that were sold during the preceding month to all customers of the utility in accordance with (c) of this section. Payment shall be made by the authority within 30 days after receipt from the utility of the report required under (i) 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 for review within 30 days after its receipt by the authority. 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, based on a commission determination. If appropriations are insufficient for payment in full, the amount paid to each electric utility is reduced on a pro rata basis.

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

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

NOTICE TO CUSTOMER

For the current billing period the utility will be paid under the State of Alaska's power 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	\$ . . . . .; 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 assistance, 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 assistance, 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) In this section

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

(2) "community facility" means a water and sewer facility, public outdoor lighting, charitable educational facility, or community building whose operations are not paid for by the state, the federal government, or private commercial interests;

(3) "eligible electric utility" or "electric utility" means each corporation (whether public, cooperative, or otherwise), company, individual, or association of individuals, their lessees, trustees, or receivers appointed by a court, that owns, operates, manages, or controls a plant or system for the furnishing, by generation, transmission or distribution, of electric service to the public for compensation;

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

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

(6) "fund" means the power cost assistance fund established under (a) of this section;

(7) "power costs" means costs used in determining the power cost assistance in accordance with (b) and (d) of this section. (§ 42 ch 83 SLA 1980; am § 8 ch 118 SLA 1981; am § 3 ch 79 SLA 1983)

**Effect of amendments.** — The 1981 amendment rewrote this section.

The 1983 amendment, effective July 20, 1983, in subsection (1), deleted "including but not limited to the Alaska Public Utilities Commission, the Alaska Power Authority, the Alaska Energy Center, and the division of energy and power development in the Department of Commerce and Economic Development" following "appropriate state agencies" in the last sentence.

**Editor's notes.** — Section 16, ch. 118, SLA 1981, provides: "TRANSITIONAL PROVISIONS, POWER COST ASSISTANCE. The Alaska Power Authority shall make payments to eligible electric utilities in accordance with AS 44.83.162 as that section read before its repeal and reenactment by sec. 8 of this Act, until the earlier of

"(1) January 1, 1982; or

"(2) the date on which the Alaska Power Authority determines, with respect to the electric utility, that

Introduced: 1/25/84  
Referred: Community and Regional  
Affairs and Finance

1 IN THE SENATE

BY SACKETT AND FERGUSON

2

SENATE BILL NO. 376 am

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 amended by adding a new subsection to

10 read:

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assistance, signed by at least 25 percent of the customers of an

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electric utility that is subject to rate regulation under AS 42.05 and

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that has not applied for power cost assistance under this section, the

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authority shall require the utility to submit a power cost assistance

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application. Upon a determination of eligibility for power cost

17

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customers in accordance with this section.

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\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

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10.070(c).

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