

HB

336

FISCAL NOTE

STATE OF ALASKA

BILL NO:

CS HB 336

1998 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act relating to eligibility for power cost equalization
 Sponsor: Representative Kubina
 Requestor: House CRA

Dept. Affected: Community & Regional Affairs
 BRU: Rural Energy Programs
 Component: Energy Operations
Power Cost Equalization
 COMPONENT SERIAL NO. 1985

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS		1347.11	1708.01	1722.21	1735.61	1751.41
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
Revenue Code						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GE Match						
1004 GE		1347.11	1708.01	1722.21	1735.61	1751.41
1005 GE Program Receipts						
1006 GE/M/TIA						
Other						
TOTAL						

Estimate of current year (FY 98) impact: \$ -0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: CS HB 336 is associated with a companion bill (CS HB 337) which would provide for an appropriation for the construction of a hydroelectric project in Cordova. If the proposed companion bills are passed, the annual demand on the General Fund for Power Cost Equalization (PCE) will decrease effective January 2000 (six months after the completion of the Power Creek Hydroelectric project), as Cordova Electric Cooperative would no longer participate in the PCE program. The proposed appropriation of \$7.5 million in CS HB 337 will be recovered by the State in about 11 years (by FY 2010) and general fund savings will continue to accrue in the following years.

The basis and assumptions used in arriving at the PCE projected savings calculations are:

FY97 PCE disbursements to Cordova Electric Cooperative, Inc. at the 85% level: \$654.1

2% annual increased disbursements;

Continue PCE disbursements at the 85% level and no other changes to the PCE program.

Completion of the Power Creek Hydroelectric project: June 30, 1999;

General Fund appropriations will be needed to support the PCE program effective FY2000.

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Administration Date: 2/5/98
 Approved by Commissioner: *Mike Irwin* Date: 2/5/98
 Agency: Mike Irwin, Dept. of Community & Reg. Affairs

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CS FOR HOUSE BILL NO. 336(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVE KUBINA

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to eligibility for power cost equalization."

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

3 • Section 1. AS 42.45 is amended by adding a new section to read:

4 Sec. 42.45.145. Ineligibility for power cost equalization after certain
5 construction. An electric utility that is otherwise determined to be an eligible electric
6 utility under AS 42.45.150 becomes ineligible to receive power cost equalization on
7 the day that is six months after the day on which an electric generation facility
8 described in this section first provides electricity to customers served by the electric
9 utility. An electric utility loses its eligibility under AS 42.45.100 - 42.45.150 if, on
10 or after January 1, 1998, it constructs a hydroelectric generation facility, or other
11 electric generation facility that is not powered by diesel fuel, that is financed in whole
12 or in part by a grant from the state and that supplies more than 75 percent of the total
13 electrical load of that utility.

14 • Sec. 2. AS 42.45.150(2) is amended to read:

15 (2) "eligible electric utility" or "electric utility" means a public,

1 cooperative, or other corporation, company, individual, or association of individuals,
2 and includes the lessees, trustees, or receivers appointed by a court, that has not
3 become ineligible under AS 42.45.145 and that

4 (A) owns, operates, manages, or controls a plant or system for
5 the furnishing, by generation, transmission, or distribution, of electric service
6 to the public for compensation;

7 (B) during calendar year 1983, had a residential consumption
8 level of power eligible for power cost equalization under former AS 44.83 of
9 less than 7,500 megawatt hours or had a residential consumption level of power
10 eligible for power cost equalization under former AS 44.83 of less than 15,000
11 megawatt hours if the utility served two or more municipalities or
12 unincorporated communities; and

13 (C) during calendar year 1984, used diesel fired generators to
14 produce more than 75 percent of the electrical consumption of the utility; an
15 electric utility that is a subsidiary of another electric utility is an "eligible
16 electric utility" if the operations of the subsidiary, considered separately, meet
17 the eligibility requirements of AS 42.45.100 - 42.45.150; if an electric utility
18 did not receive power cost assistance in 1983 but is otherwise eligible for
19 power cost equalization under AS 42.45.100 - 42.45.150, the utility is an
20 "eligible electric utility";

Alaska State Legislature



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Representative Eugene Kubina
House Minority Leader

During Session:
Alaska State Capitol
Juneau, Alaska 99801-1182

During Interim:
P.O. Box 2463
Valdez, Alaska 99686

Sponsor Statement

During the '80s, the state of Alaska developed a two-pronged approach to developing affordable electric power throughout Alaska: hydroelectric plants and interties for the Railbelt communities, and Power Cost Equalization (PCE) for the smaller, rural towns and villages.

The result was dramatic. The Railbelt communities, including Anchorage, the Kenai, and the Mat-Su, saw their electrical rates drop as hydroelectric projects came on line and interties connected the various communities within cost effective electric grids. In rural Alaska, the PCE program was created to reduce electrical energy costs for the smaller communities by subsidizing rates.

However, just as the state of Alaska is determined to wean as many of its people as possible off state and federally funded social programs, so too is there a need for the state to look for ways to replace the Power Cost Equalization (PCE) Program as a financial supplement to high electrical costs in our rural communities.

H B. 336 proposes such a program. In exchange for grant funds to upgrade current electrical generation systems (through new technologies and improvement), communities would relinquish PCE payments. The incentive is twofold:

- 1) PCE has a questionable future; and
- 2) Improved technologies could feasibly reduce electrical costs to the subsidized level

H B. 336 seeks to ultimately reduce the state budget while assisting rural communities in finding more cost-effective ways to produce needed electrical energy. It is a program and a concept that speaks to the future.

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MEMO

To: Representative Ivan Ivan, Chairman
House Community & Regional Affairs Committee

From: Representative Gene Kubina 

Date: 27 January 1998

Re: House Bill 336, "Eligibility for Power Cost Equalization"
House Bill 337, "Power Creek Hydroelectric facility"

Power Cost Equalization (PCE) and its future remains a daunting problem for rural/bush Alaska. The question is, what can the state of Alaska do to help reduce electrical costs for many rural families and businesses in a way that is long term, and ultimately, self-sustaining?

I believe that my bill addresses this issue in a proactive way. Instead of using PCE funds as a yearly subsidization of electrical rates, we need to turn this revenue into a vehicle to provide the capital to create "mini-railbelts" throughout Bush and rural Alaska.

Hydroelectric, wind generation, co-generation, interties---the technology is there, and in a few instances, has been utilized across rural Alaska. House Bill 336 will help create a more comprehensive focus on such a long term approach.

HB 337 is an appropriation bill that would tie directly into this program. Because of the linkage, I am requesting a hearing for both HB 336 and HB 337.