HB

294

<TARGET><BILL>HB 294</BILL><SUBJECT>HB 294</SUBJECT><COMM>HFIN27</COMM></TARGET>

Adopted 4/4/12

27-LS1108\D
Nauman
4/4/12

CS FOR HOUSE BILL NO. 294(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES EDGMON, Herron, Foster, Muñoz

A BILL

FOR AN ACT ENTITLED

"An Act relating to the power cost equalization program."

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

*** Section 1.** AS 42.45.110(b) is amended to read:

(b) An eligible electric utility is entitled to receive power cost equalization

(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 70 kilowatt-hours a month for each resident of the community; the number of community residents shall be determined annually by the latest figures of the United States Bureau of the Census or other population data that the Department of Commerce, Community, and Economic Development determines is reliable; and

(2) for actual consumption of not more than **600** [500] kilowatt-hours a month sold to each [RESIDENTIAL] customer **in all classes served by the electric utility except**

(A) customers of the utility covered under (1) of this subsection;

(B) customers that are state or federal offices or state or federal facilities; and

(C) nonresidential customers of the utility that consume more than 2,400 kilowatt-hours of power a month.

*** Sec. 2.** AS 42.45.110(d) is amended to read:

(d) An electric utility whose customers receive power cost equalization under AS 42.45.100 - 42.45.150 shall set out in its tariff the rates without the power cost equalization and the amount of power cost equalization **for each** [PER] kilowatt-hour sold. The rate charged to the customer shall be the difference between the two amounts. Power cost equalization paid under AS 42.45.100 - 42.45.150 shall be used to reduce the cost of all power sold to local community facilities, in the aggregate, to the extent of 70 kilowatt-hours **a** [PER] month **for each** [PER] resident of the community, and to reduce the cost of the first **600** [500] kilowatt-hours **for each** [PER RESIDENTIAL] customer **a month for all other classes served by the electric utility except state and federal offices and state and federal facilities and nonresidential customers of the utility that consume more than 2,400 kilowatt-hours of power a** [PER] month.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT; NOTIFICATION. This Act takes effect only if the Twenty-Seventh Alaska State Legislature makes one or more appropriations after January 17, 2012, that become law that appropriate a total of $150,000,000 or more to the power cost equalization endowment fund (AS 42.45.070). The commissioner of administration shall notify the lieutenant governor and the revisor of statutes when the condition described in this section is met.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSHB 294 (ENE)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): HB294-DCCED-AEA-03-22-12
Title: Power Cost Equalization
Sponsor: Representative Edgmon
Requester: House Finance Committee

Dept. Affected: DCCED
Appropriation: Alaska Energy Authority
Allocation: AEA Power Cost Equalization
OMB Component Number: 2602

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	81.0		81.0	81.0	81.0	81.0	81.0
Commodities	5.0						
Capital Outlay							
Grants, Benefits	20,070.0		20,070.0	20,070.0	20,070.0	20,070.0	20,070.0
Miscellaneous							
TOTAL OPERATING	**20,156.0**	**0.0**	**20,151.0**	**20,151.0**	**20,151.0**	**20,151.0**	**20,151.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	20,156.0		20,151.0	16,841.0	7,341.0	7,341.0	7,341.0
1169	PCE Endow (DGF)				3,310.0	12,810.0	12,810.0	12,810.0
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**20,156.0**	**0.0**	**20,151.0**	**20,151.0**	**20,151.0**	**20,151.0**	**20,151.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note includes updated fiscal note estimates based on the CS version of HB294 that passed out of House Energy. This fiscal note provides an analysis of the financial impact to the program by increasing eligible kWh to 600/month per eligible customer and the cost of including non-residential customers that consume 2,400 or less kWhs of power a month.

Prepared by: Sara Fisher-Goad, Executive Director — Phone: 907-771-3000
Division: Alaska Energy Authority — Date/Time: 3/22/12 11:30 AM
Approved by: JoEllen Hanrahan, Director Administrative Services — Date: 3/22/2012
Commerce, Community, and Economic Development

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSHB 294 (ENE)
2012 LEGISLATIVE SESSION

Analysis

This legislation amends AS 42.45.110 (b) relating to the Power Cost Equalization (PCE) program by increasing the eligible kWh to 600 per eligible customer per month. This legislation also changes the definition of eligible customer to include non-residential customers that consume 2,400 or less kWhs of power a month.

Cost estimate to implement this legislation **$20,156.0**:
1) **$7,570.0** - Estimated annual cost to increase eligible kWh from 500 to 600 kWh a month sold for residential customers (current eligible customers):

FY12 Authorized Grant Expense	$37,850.0
	x .20
Estimated increase of 20% (100/500)	$ 7,570.0

2) **$12,500.0** - Estimated annual cost to include commercial customers who are sold monthly 2,400 kWh or less as eligible customers. This estimate is based on the assumption that 25% of kWh hours sold to commercial is eligible for the credit.

This estimate was based on statistical information obtained from PCE monthly reports submitted by current participating utilities. We estimated the annual kWh eligible for PCE by multiplying total reported kWh sold to commercial customers in FY 11 by 25%. We estimated the annual cost by multiplying the estimated kWh eligible for PCE by the utility's last reported PCE Rate. Supplementary information regarding this estimate is available at AEA upon request.

3) **$86.0** - Estimated cost for one additional Accounting Technician. This position is required for increased work required to verify the eligibility of additional customers and related kWh as required by statute , to verify with the utilities that the annual cap has not been exceeded for individual customers and to provide additional technical assistance for the utilities. Estimated cost is $71.0 for a Range 12 position. This estimate includes $10.0 for core services costs and $5.0 for 1st year start up costs.

Please also see associated fiscal note for the AIDEA RDU Component #1234. All employees are budgeted under the AIDEA component. AEA contracts with AIDEA for personnel. AEA's costs are budgeted as contractual services costs in AEA's operating components.

Recap of Revised Program Cost:

FY13 Estimated Program Cost - current program	$38,190.0
Estimated cost to implement this legislation	20,156.0
Revised Program Cost	$58,346.0

See page 3 for a more detailed recap of the PCE Program at current levels plus HB294.

Funding Source: The annual appropriation to the PCE program from the PCE Endowment Fund is based on 7% of the average monthly market value of the fund for the previous 3 fiscal years (AS 42.45.085). In prior years, program funding for the PCE program has required an appropriation from the general fund to fully fund PCE. However, the PCE Endowment Fund was capitalized by a $400 million dollar appropriation effective June 30, 2011. AEA performed a simplistic computation of projected PCE Endowment Fund balances for purposes of preparing this fiscal note and estimating out-year funding sources. See page 3 for details.

Analysis Continued

Recap of PCE Program with HB294

	Current Program	HB294	Revised Program Cost	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY13	FY13	FY13	FY14	FY15	FY16	FY17	FY18
PCE Expenditures:								
AEA Administration	175.0	86.0	261.0	256.0	256.0	256.0	256.0	256.0
AEA Training	25.0	-	25.0	25.0	25.0	25.0	25.0	25.0
RCA Administration	140.0	-	140.0	140.0	140.0	140.0	140.0	140.0
Grants	37,850.0	20,070.0	57,920.0	57,920.0	57,920.0	57,920.0	57,920.0	57,920.0
	38,190.0	20,156.0	58,346.0	58,341.0	58,341.0	58,341.0	58,341.0	58,341.0
Funding Sources:								
General Fund	15,314.2	20,156.0	35,470.2	26,141.0	16,841.0	7,341.0	7,341.0	7,341.0
PCE Endowment Fund	22,875.8	-	22,875.8	32,200.0	41,500.0	51,000.0	51,000.0	51,000.0
	38,190.0	20,156.0	58,346.0	58,341.0	58,341.0	58,341.0	58,341.0	58,341.0

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSHB 294(ENE)**
Fiscal Note Number: **1**
(H) Publish Date: **3/21/12**

Identifier (file name): HB294-DCCED-AIDEA-02-10-12
Title: Power Cost Equalization
Sponsor: Representative Edgmon
Requester: House Special Committee on Energy

Dept. Affected: DCCED
Appropriation: AIDEA
Allocation: Alaska Industrial Development & Export Authority
OMB Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	71.0		71.0	71.0	71.0	71.0	71.0
Travel							
Services	10.0		10.0	10.0	10.0	10.0	10.0
Commodities	5.0						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**86.0**	**0.0**	**81.0**	**81.0**	**81.0**	**81.0**	**81.0**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1007 I/A Rcpts (Other)	86.0		81.0	81.0	81.0	81.0	81.0
1037 GF/MH (UGF)							
1178 temp code (UGF)							
TOTAL	**86.0**	**0.0**	**81.0**	**81.0**	**81.0**	**81.0**	**81.0**
POSITIONS							
Full-time	1		1	1	1	1	1
Part-time							
Temporary							
CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Sara Fisher-Goad, Executive Director — Phone: 907-771-3000
Division: Alaska Energy Authority — Date/Time: 2/10/12 4:00 PM
Approved by: JoEllen Hanrahan, Director Administrative Services — Date: 2/10/2012
Commerce, Community, and Economic Development

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 294(ENE)

Analysis

This legislation amends AS 42.45.110 (b) relating to the Power Cost Equalization (PCE) program by increasing the eligible kWh from 500 kWh to 700 kWh per eligible customer per month. This legislation also changes the definition of eligible customer to include commercial and public school customers.

This fiscal note reflects the costs to AIDEA for the increase in personal services related to the Alaska Energy Authority's (AEA) implementation of this legislation. AEA contracts with AIDEA for personnel. AEA's costs are budgeted as contractual services costs in AEA's operating components. See related fiscal note for the Alaska Energy Authority, Power Cost Equalization component #2602.

AEA estimates that a Range 12 Accounting Technician will be required for increased work to verify eligibility of additional customers and related kWh as required by statute and to provide additional technical assistance for the utilities. Estimated cost is $71.0 for a Range 12. This fiscal note also includes $10.0 for core services costs and $5.0 for 1st year startup costs.

The funding source is an increase in I/A receipts from the Alaska Energy Authority.

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37

SPONSOR STATEMENT FOR CSHB294 (ENE)

Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point
Cold Bay
Dillingham
Egegik
Ekwok
False Pass
Ivanof Bay
King Cove
King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski
Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point
South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

This legislation simply proposes returning elements of the Power Cost Equalization (PCE) program to its 1998 levels.

The bill proposes raising the kilowatt-hours ceiling from 500 to 600 per month, and also adds small commercial customers to the pool of entities eligible for PCE. Small commercial customers are defined as using no more than 2,400 kilowatt-hours per month. Businesses are currently ineligible to receive any PCE benefits.

We are experiencing one of the coldest Alaska winters in the last 25 years. While folks in the Bush have become used to conserving power to fall under the 500 killowatt-hour ceiling, it is a struggle to do so in winter months. This year's weather is not helping that struggle.

While the State has done an excellent job in creating and supporting energy programs that will make a difference over the long haul, nothing has been done to help our residents with their short-term needs. Rural Alaskans need the help with energy costs now and our small businesses can't afford another year of exorbitant power costs.

I believe the time is right to consider this legislation, and I hope it spurs on other ideas to help our rural people deal with their immediate needs with energy costs. I also believe it is time for the legislature to acknowledge that we need to assist small rural business owners, which in turn will drive down the excessive costs for goods and services to the consumers in our remote communities.

I appreciate your support for this bill.

State Capitol Building
Room 416, Juneau, AK 99801. Phone: (907) 465-4451 Toll Free: 1-800-898-4451
Email: Rep_Bryce_Edgmon@legis.state.ak.us

Alaska Energy Authority

Endowment Fund Analysis of Estimated Out-Year Investment Earnings

For purposes of preparing PCE fiscal notes

	Actuals			Estimated Out-Years					
Fund Balance:	**FY2010**	**FY2011**	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**
Beginning Balance	303,354,399	320,713,602	364,529,375	777,929,917	810,867,546	835,626,659	851,477,813	858,213,715	863,823,457
Fund Transfers In	-	-	400,000,000	-	-	-	-	-	-
Fund Transfers Out - to AEA	(20,892,700)	(23,673,600)	(23,510,600)	(22,875,769)	(34,140,701)	(45,577,626)	(56,569,896)	(58,286,014)	(59,390,758)
Projected Annual Investment Earnings *	38,386,794	67,651,024	37,126,642	56,056,398	59,150,577	61,684,300	63,563,340	64,154,981	64,624,995
Management Fee - Dept of Rev	(134,891)	(161,651)	(215,500)	(243,000)	(250,763)	(255,520)	(257,541)	(259,225)	(260,717)
Ending Balance	320,713,602	364,529,375	777,929,917	810,867,546	835,626,659	851,477,813	858,213,715	863,823,457	868,796,977
	320,713,602	364,529,375							
**Return on Investment earnings - Asset AllocationTarget is 7%*			7.0%						
Estimate of Appropriations to PCE program from Endowment Fund									
Average Monthly Market Value Previous 3 years				326,796,704	487,724,298	651,108,946	808,141,374	832,657,339	848,439,395
Available for PCE Program (computed at 7% of avg. monthly mv of the fund for the prev 3 fiscal years)				22,875,769	34,140,701	45,577,626	56,569,896	58,286,014	59,390,758

** FY13 avg mmv obtained from Dept of Revenue

-0.0300%

Provided by DCCED

Article 02. POWER COST EQUALIZATION ENDOWMENT FUND

Sec. 42.45.070. Power cost equalization endowment fund established.

(a) The power cost equalization endowment fund is established as a separate fund of the authority. The fund consists of

(1) legislative appropriations to the fund that are not designated for annual expenditure for the purpose of power cost equalization;

(2) accumulated earnings of the fund;

(3) gifts, bequests, contributions of money and other assets, and federal money given to the fund that are not designated for annual expenditure for power cost equalization; and

(4) [Repealed, Sec. 13 ch 60 SLA 2000].

(b) Nothing in this section creates a dedicated fund.

(c) [Repealed, Sec. 13 ch 60 SLA 2000].

Sec. 42.45.080. Powers and duties of the commissioner of revenue.

(a) The commissioner of revenue is the fiduciary of the fund. In managing the fund, the commissioner shall

(1) have the same powers and duties as are provided in AS 37.10.071; and

(2) invest the fund in a manner likely to achieve at least a seven percent nominal return over time.

(b) In managing the fund, the commissioner shall

(1) consider the status of the fund's capital and the income generated on both current and probable future bases;

(2) determine the appropriate investment objectives;

(3) establish investment policies to achieve the objectives; and

(4) act only in regard to the best financial interests of the fund.

(c) On July 1 of each year, the commissioner shall determine the monthly average market value of the fund for the previous three fiscal years.

Sec. 42.45.085. Use of the power cost equalization endowment fund.

(a) Seven percent of the amount determined by the commissioner of revenue on July 1 of each year under AS 42.45.080(c) may be appropriated for the fiscal year beginning the following July 1 for the following purposes:

(1) funding the power cost equalization and rural electric capitalization fund (AS 42.45.100);

(2) reimbursement to the Department of Revenue for the costs of establishing and managing the fund; and

(3) reimbursement of other costs of administration of the fund.

(b) Nothing in this section creates a dedicated fund.

Sec. 42.45.099. Definition.

In AS 42.45.070 - 42.45.099, "fund" means the power cost equalization endowment fund established in AS 42.45.070.

Article 03. POWER COST EQUALIZATION AND RURAL ELECTRIC CAPITALIZATION

Sec. 42.45.100. Power cost equalization and rural electric capitalization fund.

(a) The power cost equalization and rural electric capitalization fund is established as a separate fund for the purpose of

(1) equalizing power cost per kilowatt-hour statewide at a cost close to or equal to the mean of the cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau by paying money from the fund to eligible electric utilities in the state; and

(2) making grants to eligible utilities under AS 42.45.180 to improve the performance of the utility.

(b) The fund shall be administered by the authority as a fund distinct from the other funds of the authority. The fund is composed of

(1) money appropriated to provide power cost equalization to eligible electric utilities and to provide grants for utility improvements;

(2) money appropriated from the National Petroleum Reserve - Alaska special revenue fund under AS 37.05.530(g);

(3) money appropriated from the power cost equalization endowment fund (AS 42.45.070) under AS 42.45.085(a);

(4) gifts, bequests, contributions from other sources, and federal money; and

(5) interest earned on the fund balance.

(c) The fund is not a dedicated fund.

Sec. 42.45.110. Entitlement to power cost equalization.

(a) The costs used to calculate the amount of power cost equalization for all electric utilities eligible under AS 42.45.100 - 42.45.150 include all allowable costs, except return on equity, used by the Regulatory Commission of Alaska to determine the revenue requirement for electric utilities subject to rate regulation under AS 42.05. The costs used in determining the power cost equalization 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 equalization per kilowatt-hour of the electric utility. In calculating power cost equalization, the commission may not consider validated costs or kilowatt-hour sales associated with a United States Department of Defense facility.

(b) An eligible electric utility is entitled to receive power cost equalization

(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 70 kilowatt-hours a month for each resident of the community; the number of community residents shall be determined annually by the latest figures of the United States Bureau of the Census or other population data that the Department of Commerce, Community, and Economic Development determines is reliable; and

(2) for actual consumption of not more than 500 kilowatt-hours a month sold to each residential customer.

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

(1) the power costs for which power cost equalization are paid to an electric utility are limited to minimum power costs of more than 12 cents a kilowatt-hour and less than $1 a kilowatt-hour;

(2) each year, the commission shall adjust the power costs for which power cost equalization may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau; however, the commission may not adjust the power costs under this paragraph to reduce the amount below the lower limit set out in (1) of this subsection; and

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

(d) An electric utility whose customers receive power cost equalization under AS 42.45.100 - 42.45.150 shall set out in its tariff the rates without the power cost equalization and the amount of power cost equalization per kilowatt-hour sold. The rate charged to the customer shall be the difference between the two amounts. Power cost equalization paid under AS 42.45.100 - 42.45.150 shall be used to reduce the cost of all power sold to local community facilities, in the aggregate, to the extent of 70 kilowatt-hours per month per resident of the community, and to reduce the cost of the first 500 kilowatt-hours per residential customer per month.

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

(f) The authority may not deny an eligible electric utility power cost equalization because complete cost information is not available. The commission shall assist an eligible electric utility that is exempt from rate regulation under AS 42.05 to provide the cost information the commission considers necessary to comply with AS 42.45.100 - 42.45.150. Only power costs that are supportable may be considered in calculating power cost equalization. Each electric utility is responsible for keeping records that provide the information necessary to comply with AS 42.45.100 - 42.45.150 including records of

monthly kilowatt-hour sales or generation, monthly fuel balances, fuel purchases, and monthly utility fuel consumption.

(g) The commission shall determine the cost of fuel for each eligible electric utility using the procedure for approving fuel cost rate adjustments of electric utilities subject to rate regulation under AS 42.05.

(h) Each electric utility receiving power cost equalization 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.

(i) The authority shall review the report required under (h) of this section. After review and approval of the report, the authority shall, subject to appropriation, pay to each eligible electric utility an amount equal to the power cost equalization per kilowatt-hour determined under (a) and (c) 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 under (b) of this section. Payment shall be made by the authority within 30 days after receipt from the utility of the report required under (h) of this section. If appropriations that have been made for the purpose by July 1 of a fiscal year are insufficient for payment in full, the amount paid to each electric utility shall be reduced on a pro rata basis. In making the pro rata reductions required by this subsection, the authority may not consider any potential supplemental appropriation until the appropriation has been enacted.

Sec. 42.45.115. Exclusion from eligibility.

(a) Notwithstanding the definition of "eligible electric utility" in AS 42.45.150, an electric utility whose primary source of power for sale to customers is one or more of the power projects that were part of the former initial project may not be considered an eligible electric utility.

(b) In this section, "former initial project" includes the Tyee Lake, Swan Lake, Solomon Gulch, and Terror Lake hydroelectric facilities.

Sec. 42.45.120. Notice to customers.

If an electric utility receives power cost equalization under AS 42.45.100 - 42.45.150, the utility shall either give to its electric service customers eligible under this program, for each period for which the payment is received,

(1) the following notice:

NOTICE TO CUSTOMER

For the most recent monthly reporting period under the State of Alaska's power cost equalization program, this utility's actual fuel efficiency for your community was _____ kilowatt-hours a gallon. The applicable fuel efficiency standard set out in regulations for the power cost equalization program is _____ kilowatt-hours a gallon.

For the current billing period, the utility will be paid under the State of Alaska's power cost equalization program (AS 42.45.100) 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) a notice approved by the authority that provides electric service customers the same information provided by the notice in (1) of this section.

Sec. 42.45.130. Cost minimization.

(a) In order to qualify for power cost equalization, each electric utility shall 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 may require the elimination of 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.

(b) In this section, "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 energy conservation.

Sec. 42.45.140. Customer petitions.

If the authority receives a petition requesting power cost equalization, signed by at least 25 percent of the customers of an electric utility that is subject to rate regulation under AS 42.05 and that has not applied for power cost equalization under AS 42.45.100 - 42.45.150, the authority shall require the utility to submit a power cost equalization application. Upon a determination of eligibility for power cost equalization, the utility, as a part of its service, shall receive power cost equalization and pass power cost equalization benefits to its customers under AS 42.45.100 - 42.45.150.

Sec. 42.45.150. Definitions for AS 42.45.100 - 42.45.150.

In AS 42.45.100 - 42.45.150,

(1) "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;

(2) "eligible electric utility" or "electric utility" means a public, cooperative, or other corporation, company, individual, or association of individuals, and includes the lessees, trustees, or receivers appointed by a court, that

(A) 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;

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

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

(3) "power costs" means costs used in determining power cost equalization under AS 42.45.110(a) and (c).

Sec. 42.45.160. Adjustments to power cost equalization.

(a) The commission may adjust the power cost equalization per kilowatt-hour, determined under AS 42.45.100 - 42.45.150, payable to an electric utility that is subject to rate regulation under AS 42.05 if the

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

(2) commission has approved a permanent or interim rate increase or decrease that establishes a higher or lower power cost;

(3) authority has discovered, in reviewing the monthly data submitted by the electric utility, discrepancies that require adjustment of the power cost equalization; or

(4) 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 under this section and that receives power cost equalization 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 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 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 determining power costs if the change is expected to result in a subsequent power cost equalization adjustment.

(c) The provisions of AS 42.45.100 - 42.45.150 relating to the determination of the amount of power cost equalization and payment of the equalization assistance apply to equalization assistance under this section.

Sec. 42.45.170. Equalization assistance to unregulated utilities.

(a) An electric utility that is not subject to rate regulation by the Regulatory Commission of Alaska under AS 42.05 may receive power cost equalization if the utility is otherwise eligible for equalization assistance under AS 42.45.100 - 42.45.150 and if the utility

(1) files with the commission financial data necessary to determine the power cost equalization per kilowatt-hour as prescribed by the commission and that is in compliance with AS 42.45.100 - 42.45.150;

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

(3) sets rates

(A) that consider the power cost equalization provided under AS 42.45.100 - 42.45.150 by subtracting from its revenue requirements for electric services the power cost equalization per kilowatt-hour that it is eligible to receive; and

(B) under which the power cost equalization provided in AS 42.45.070 - 42.45.110 is applied as a credit only against the cost of kilowatt-hours eligible for equalization assistance under AS 42.45.100 - 42.45.150 that are consumed by each customer in any month;

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

(5) furnishes its electric service customers eligible under this program a notice as specified in AS 42.45.120.

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

(1) the power cost equalization 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 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 determining power costs if the change is expected to result in a subsequent equalization assistance level adjustment.

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

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

(2) commission has verified an increase in rates based on an increase in costs;

(3) authority has discovered, in reviewing the monthly data submitted by the electric utility, discrepancies that require adjustment of the power cost equalization; or

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

(d) The provisions of AS 42.45.100 - 42.45.150 relating to the determination of the amount of power cost equalization and payment of the equalization assistance apply to equalization assistance under this section.

(e) An application for power cost equalization by an electric utility that is eligible to receive power cost under this section does not extend the jurisdiction of the Regulatory Commission of Alaska beyond that established by AS 42.05.

Sec. 42.45.180. Grants for utility improvements.

(a) The authority may make a grant from the fund for an eligible utility for a small power project that will reduce the cost of generating or transmitting power to the customers of the utility. The amount of the grant may not exceed 75 percent of the cost of the project. The authority may not make a grant under this section unless the eligible utility has secured financing for 25 percent of the cost of the project from a source other than the power cost equalization and rural electric capitalization fund, as provided under (c) of this section.

(b) The authority may not allocate more than three percent of the balance in the fund to grants under this section in a fiscal year.

(c) In determining whether an eligible utility has secured financing for 25 percent of the cost of the project from a source other than the power cost equalization and rural electric capitalization fund, the authority shall accept solicited and unsolicited proposals for third party financing or for a joint venture between the utility and an entity from the private sector provided that the private sector participant has

(1) a valid state business license;

(2) a resolution or letter of agreement executed by the eligible utility agreeing to participation by the private sector participant;

(3) a business plan that illustrates how the proposed project will reduce the cost of generating or transmitting power to the customers of the utility.

(d) In this section,

(1) "eligible utility" has the meaning given in AS 42.45.150;

(2) "project" includes

(A) power generation systems;

(B) transmission systems;

(C) distribution systems;

(D) metering systems;

(E) energy store systems;

(F) energy conservation programs; and

(G) bulk fuel storage facilities;

(3) "small power project" means a new or modified project that will either generate, store, or conserve no more than 1.5 megawatts of power or provide a metering system, transmission system, distribution system, or bulk fuel storage facility that has an estimated cost of less than $3,000,000.

Sec. 42.45.190. Definition for AS 42.45.100 - 42.45.190.

In AS 42.45.100 - 42.45.190, "fund" means the power cost equalization and rural electric capitalization fund established under AS 42.45.100.

Legislative Research Report 99.086
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Use of the PCE Program by School Districts

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SCHOOL DISTRICT USE OF THE PCE PROGRAM

You asked several questions about use of the Power Cost Equalization (PCE) Program by school districts in Alaska. You wanted a list of schools receiving PCE credits, as well as an estimate of expenses that school districts would incur if they were ineligible to receive PCE benefits. You also wished to know how the new school foundation formula impacts this discussion.

As you can see from Table 1, "Maximum PCE Credits to Schools Participating in the Power Cost Equalization Program," if school districts had been ineligible to receive PCE in FY 99, district budgets would have had to absorb approximately $260,000 in power costs statewide. Naturally, some districts would have been affected more than others. We estimate that in FY 99, the Lower Yukon, Bering Straits, Lower Kuskokwim, Northwest Arctic, and Kuspuk districts will each receive over $20,000 in PCE credits; without PCE, district budgets would have to absorb those costs.

Schools are eligible to receive up to 700 kilowatt hours of PCE credits per month (AS 42.45.110). For the purposes of calculating PCE credits, administrators consider all school facilities within a community as one customer eligible for one 700 kwh credit: if a community were home to an elementary school, middle school, and teacher housing, those facilities combined would be eligible to receive 700 kilowatt hours of credit (19 AAC 97.260, standards for customer eligibility). PCE grant administrator Irene Tomary reports that every school district customer account currently uses the entire 700 kwh monthly maximum during the school year. PCE records show that most, but not all, school customer account holders use 700 kwh even during June and July. For the purposes of calculating annual PCE credits to all school districts, therefore, we assume that each eligible "school customer" listed on Table 1 receives the maximum 700 kwh for 12 months of the year.

While Table 1 presents *estimated* PCE benefits for *all* school districts for FY 99, Table 2 provides *actual* PCE credits for *selected* schools for FY 98. Included are detailed data for two schools in the Bering Strait School District, three schools in the Kodiak Island School District, six schools in the Kuspuk District, and two schools in the Yukon Flats District. As you can see from Table 2, for most of the schools listed, PCE pays for only 2 to 5 percent of a school's electric bill. In Sleetmute and Stony River in the Kuspuk School District, however, the PCE program pays for approximately 14 percent of school expenditures for electricity.

If schools were ineligible to receive PCE credits, these power costs would, of course, have to be absorbed by the district. Last session, by passing SB 36, the legislature added a provision to statute mandating that districts spend at least 70 percent of their operating budgets on instructional functions (AS 14.17.520). Eddy Jeans, manager of the school finance section at the Department of Education, reports that some districts may already have a problem meeting this requirement. Adding additional expenses to the non-instructional side of the ledger would make compliance with the 70 percent requirement even more difficult for those mostly rural districts.

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

TABLE 1: Maximum PCE Credits to Schools Participating in the Power Cost Equalization Program, FY 99					
DISTRICT	REAA or City/ Borough	COMMUNITY	PCE Level per KWH (as of 3/99)	Maximum PCE Credits Paid to Utility [1]	
				Monthly	Annually
Alaska Gateway	REAA	Dot Lake	0.06	$40	$500
Alaska Gateway	REAA	Eagle	0.24	$170	$2,000
Alaska Gateway	REAA	Mentasta Lake	0.13	$90	$1,100
Alaska Gateway	REAA	Northway	0.14	$100	$1,200
Alaska Gateway	REAA	Tanacross	0.14	$100	$1,200
Alaska Gateway	REAA	Tetlin	0.14	$100	$1,200
Alaska Gateway	REAA	Tok	0.06	$40	$500
Alaska Gateway Total					**$7,700**
Aleutian Region	REAA	Atka	0.14	$100	$1,200
Aleutian Region	REAA	Nikolski	0.21	$140	$1,700
Aleutian Region	REAA	Unalaska	0.04	$30	$400
Aleutian Region Total					**$3,300**
Aleutians East	city/borough	Akutan	0.19	$130	$1,600
Aleutians East	city/borough	Cold Bay	0.21	$150	$1,800
Aleutians East	city/borough	False Pass	0.10	$70	$800
Aleutians East	city/borough	King Cove	0.06	$40	$500
Aleutians East	city/borough	Nelson Lagoon	0.21	$150	$1,800
Aleutians East	city/borough	Sand Point	0.14	$100	$1,200
Aleutians East Total					**$7,700**
Bering Strait	REAA	Brevig Mission	0.22	$150	$1,800
Bering Strait	REAA	Diomede	0.24	$170	$2,000
Bering Strait	REAA	Elim	0.22	$160	$1,900
Bering Strait	REAA	Gambell	0.22	$150	$1,800
Bering Strait	REAA	Golovin	0.22	$150	$1,800
Bering Strait	REAA	Koyuk	0.21	$150	$1,800
Bering Strait	REAA	Savoonga	0.23	$160	$1,900
Bering Strait	REAA	Shaktoolik	0.21	$150	$1,800
Bering Strait	REAA	Shishmaref	0.22	$150	$1,800
Bering Strait	REAA	St. Michael	0.21	$150	$1,800
Bering Strait	REAA	Stebbins	0.21	$150	$1,800
Bering Strait	REAA	Teller	0.26	$180	$2,200
Bering Strait	REAA	Unalakleet	0.10	$70	$800
Bering Strait	REAA	Wales	0.22	$150	$1,800
Bering Strait	REAA	White Mountain	0.26	$180	$2,200
Bering Strait Total					**$27,200**
Bristol Bay	city/borough	Naknek	0.06	$40	$500
Bristol Bay	city/borough	South Naknek	0.06	$40	$500
Bristol Bay Total					**$1,000**
Chatham	REAA	Angoon	0.15	$100	$1,200
Chatham	REAA	Gustavus	0.29	$200	$2,400
Chatham	REAA	Klukwan	0.15	$100	$1,200
Chatham	REAA	Tenakee Springs	0.13	$90	$1,100
Chatham Total					**$5,900**
Chugach	REAA	Chenega Bay	0.17	$120	$1,400
Chugach	REAA	Tatitlek [2]	0.11	$70	$800
Chugach Total					**$2,200**
Copper River	REAA	Chistochina	0.15	$100	$1,200
Copper River Total					**$1,200**

TABLE 1: Maximum PCE Credits to Schools Participating in the Power Cost Equalization Program, FY 99					
DISTRICT	REAA or City/ Borough	COMMUNITY	PCE Level per KWH (as of 3/99)	Maximum PCE Credits Paid to Utility [1]	
				Monthly	Annually
Cordova City	city/borough	Cordova	0.07	$50	$600
Cordova City Total					**$600**
Craig City	city/borough	Craig	0.06	$40	$500
Craig City Total					**$500**
Delta/Greely	REAA	Healy Lake/Delta Junction	0.30	$210	$2,500
Delta/Greely Total					**$2,500**
Dillingham	city/borough	Dillingham	0.07	$50	$600
Dillingham Total					**$600**
Fairbanks	city/borough	Tanana	0.15	$100	$1,200
Fairbanks Total					**$1,200**
Galena	city/borough	Galena	0.07	$50	$600
Galena Total					**$600**
Haines (T-H Elec)	city/borough	Mosquito Lake (Chilkat Valley)	0.15	$100	$1,200
Haines (AK Power & Tele)	city/borough	Haines Schools	0.04	$30	$400
Haines Total					**$1,600**
Hoonah	city/borough	Hoonah	0.05	$40	$500
Hoonah Total					**$500**
Hydaburg	city/borough	Hydaburg	0.06	$40	$500
Hydaburg Total					**$500**
Iditarod	REAA	Anvik	0.24	$170	$2,000
Iditarod	REAA	Grayling	0.22	$160	$1,900
Iditarod	REAA	Holy Cross	0.22	$150	$1,800
Iditarod	REAA	Lime Village	0.31	$220	$2,600
Iditarod	REAA	McGrath	0.21	$150	$1,800
Iditarod	REAA	Nikolai	0.23	$160	$1,900
Iditarod	REAA	Shageluk	0.24	$170	$2,000
Iditarod	REAA	Takotna	0.14	$100	$1,200
Iditarod Total					**$15,200**
Kake	city/borough	Kake	0.15	$100	$1,200
Kake Total					**$1,200**
Kashunamiut	REAA	Chevak	0.22	$150	$1,800
Kashunamiut Total					**$1,800**
Klawock	city/borough	Klawock	0.05	$40	$500
Klawock Total					**$500**
Kodiak	city/borough	Akhiok	0.12	$80	$1,000
Kodiak	city/borough	Karluk	0.22	$150	$1,800
Kodiak	city/borough	Larsen Bay	0.22	$150	$1,800
Kodiak	city/borough	Old Harbor	0.24	$170	$2,000
Kodiak	city/borough	Ouzinkie	0.10	$70	$800
Kodiak Total					**$7,400**
Kuspuk	REAA	Aniak	0.22	$150	$1,800
Kuspuk	REAA	Chuathbaluk	0.34	$240	$2,900
Kuspuk	REAA	Crooked Creek	0.34	$240	$2,900
Kuspuk	REAA	Kalskag (Upper)	0.23	$160	$1,900
Kuspuk	REAA	Lower Kalskag	0.23	$160	$1,900
Kuspuk	REAA	Red Devil	0.34	$240	$2,900
Kuspuk	REAA	Sleetmute	0.34	$240	$2,900
Kuspuk	REAA	Stony River	0.34	$240	$2,900
Kuspuk Total					**$20,100**

TABLE 1: Maximum PCE Credits to Schools Participating in the Power Cost Equalization Program, FY 99					
DISTRICT	REAA or City/ Borough	COMMUNITY	PCE Level per KWH (as of 3/99)	Maximum PCE Credits Paid to Utility [1]	
				Monthly	Annually
Lake & Penninsula	city/borough	Chignik Lagoon	0.10	$70	$800
Lake & Penninsula	city/borough	Chignik, City of	0.11	$80	$1,000
Lake & Penninsula	city/borough	Igiugig	0.29	$200	$2,400
Lake & Penninsula	city/borough	King Salmon	0.06	$40	$500
Lake & Penninsula	city/borough	Kokhanok	0.25	$180	$2,200
Lake & Penninsula	city/borough	Levelock	0.22	$160	$1,900
Lake & Penninsula	city/borough	Newhalen	0.21	$150	$1,800
Lake & Penninsula	city/borough	Nondalton	0.21	$150	$1,800
Lake & Penninsula	city/borough	Perryville	0.06	$40	$500
Lake & Penninsula	city/borough	Pilot Point	0.15	$100	$1,200
Lake & Penninsula	city/borough	Port Alsworth	0.14	$100	$1,200
Lake & Penninsula	city/borough	Port Heiden	0.05	$30	$400
Lake & Penninsula Total					**$15,700**
Lower Kuskokwim	REAA	Bethel	0.08	$50	$600
Lower Kuskokwim	REAA	Chefornak	0.08	$60	$700
Lower Kuskokwim	REAA	Goodnews Bay	0.21	$140	$1,700
Lower Kuskokwim	REAA	Kasigluk	0.25	$170	$2,000
Lower Kuskokwim	REAA	Kasigluk	0.25	$170	$2,000
Lower Kuskokwim	REAA	Kipnuk	0.14	$100	$1,200
Lower Kuskokwim	REAA	Kongiganak	0.10	$70	$800
Lower Kuskokwim	REAA	Mekoryuk	0.23	$160	$1,900
Lower Kuskokwim	REAA	Napakiak	0.28	$200	$2,400
Lower Kuskokwim	REAA	Napaskiak	0.16	$110	$1,300
Lower Kuskokwim	REAA	Newtok	0.24	$170	$2,000
Lower Kuskokwim	REAA	Nightmute	0.22	$160	$1,900
Lower Kuskokwim	REAA	Nunapitchuk	0.25	$170	$2,000
Lower Kuskokwim	REAA	Platinum	0.21	$150	$1,800
Lower Kuskokwim	REAA	Toksook Bay	0.23	$160	$1,900
Lower Kuskokwim	REAA	Tununak	0.23	$160	$1,900
Lower Kuskokwim Total					**$26,100**
Lower Yukon	REAA	Alakanuk	0.22	$150	$1,800
Lower Yukon	REAA	Atmautluak	0.13	$90	$1,100
Lower Yukon	REAA	Eek	0.21	$150	$1,800
Lower Yukon	REAA	Emmonak	0.24	$170	$2,000
Lower Yukon	REAA	Hooper Bay	0.23	$160	$1,900
Lower Yukon	REAA	Kotlik	0.15	$100	$1,200
Lower Yukon	REAA	Kwethluk	0.13	$90	$1,100
Lower Yukon	REAA	Kwigillingok	0.24	$170	$2,000
Lower Yukon	REAA	Marshall	0.21	$150	$1,800
Lower Yukon	REAA	Mountain Village	0.25	$180	$2,200
Lower Yukon	REAA	Pilot Station	0.24	$160	$1,900
Lower Yukon	REAA	Pitkas Point	0.22	$150	$1,800
Lower Yukon	REAA	Quinhagak	0.21	$150	$1,800
Lower Yukon	REAA	Russian Mission	0.22	$160	$1,900
Lower Yukon	REAA	Scammon Bay	0.22	$160	$1,900
Lower Yukon	REAA	Sheldon Point	0.13	$90	$1,100
Lower Yukon	REAA	St. Mary's	0.23	$160	$1,900
Lower Yukon	REAA	Tuntutuliak	0.17	$120	$1,400
Lower Yukon Total					**$30,600**

TABLE 1: Maximum PCE Credits to Schools Participating in the Power Cost Equalization Program, FY 99					
DISTRICT	REAA or City/ Borough	COMMUNITY	PCE Level per KWH (as of 3/99)	Maximum PCE Credits Paid to Utility [1]	
				Monthly	Annually
Nome	city/borough	Nome	0.04	$30	$400
Nome Total					**$400**
North Slope	city/borough	Anaktuvuk Pass	0.09	$60	$700
North Slope	city/borough	Atqasuk	0.09	$60	$700
North Slope	city/borough	Kaktovik	0.03	$20	$200
North Slope	city/borough	Nuiqsut	0.09	$60	$700
North Slope	city/borough	Point Hope	0.03	$20	$200
North Slope	city/borough	Point Lay	0.09	$60	$700
North Slope	city/borough	Wainwright	0.03	$20	$200
North Slope Total					**$3,400**
Northwest Arctic	city/borough	Ambler	0.28	$200	$2,400
Northwest Arctic	city/borough	Buckland	0.09	$70	$800
Northwest Arctic	city/borough	Deering	0.20	$140	$1,700
Northwest Arctic	city/borough	Kiana	0.25	$170	$2,000
Northwest Arctic	city/borough	Kivalina	0.24	$170	$2,000
Northwest Arctic	city/borough	Kobuk	0.30	$210	$2,500
Northwest Arctic	city/borough	Kotzebue	0.08	$50	$600
Northwest Arctic	city/borough	Noatak	0.33	$230	$2,800
Northwest Arctic	city/borough	Noorvik	0.24	$170	$2,000
Northwest Arctic	city/borough	Selawik	0.21	$140	$1,700
Northwest Arctic	city/borough	Shungnak	0.29	$200	$2,400
Northwest Arctic Total					**$20,900**
Pelican	city/borough	Pelican	0.02	$10	$100
Pelican Total					**$100**
Pribilof Islands	REAA	St. George	0.11	$80	$1,000
Pribilof Islands	REAA	St. Paul	0.09	$60	$700
Pribilof Islands Total					**$1,700**
Skagway	city/borough	Skagway	0.02	$20	$200
Skagway Total					**$200**
Southeast Island	REAA	Coffman Cove	0.09	$70	$800
Southeast Island	REAA	Hollis	0.06	$40	$500
Southeast Island	REAA	Kasaan/Kethikan	0.09	$70	$800
Southeast Island	REAA	Naukati/Ketchikan	0.09	$70	$800
Southeast Island	REAA	Thorne Bay	0.03	$20	$200
Southeast Island	REAA	Whale Pass	0.09	$70	$800
Southeast Island Total					**$3,900**
Southwest Region	REAA	Aleknagik	0.07	$50	$600
Southwest Region	REAA	Ekwok	0.18	$130	$1,600
Southwest Region	REAA	Koliganek	0.18	$130	$1,600
Southwest Region	REAA	Manokotak	0.12	$80	$1,000
Southwest Region	REAA	New Stuyahok	0.27	$190	$2,300
Southwest Region	REAA	Togiak	0.22	$150	$1,800
Southwest Region Total					**$8,900**
Tanana	city/borough	Tanana	0.15	$100	$1,200
Tanana Total					**$1,200**
Unalaska	city/borough	Unalaska	0.04	$30	$400
Unalaska Total					**$400**
Yakutat	city/borough	Yakutat	0.06	$50	$600
Yakutat Total					**$600**

TABLE 1: Maximum PCE Credits to Schools Participating in the Power Cost Equalization Program, FY 99					
DISTRICT	REAA or City/ Borough	COMMUNITY	PCE Level per KWH (as of 3/99)	Maximum PCE Credits Paid to Utility [1]	
				Monthly	Annually
Yukon Flats	REAA	Arctic Village [3]	0.00	$0	$0
Yukon Flats	REAA	Beaver	0.27	$190	$2,300
Yukon Flats	REAA	Central	0.25	$180	$2,200
Yukon Flats	REAA	Chalkyitsik	0.35	$240	$2,900
Yukon Flats	REAA	Circle	0.21	$140	$1,700
Yukon Flats	REAA	Fort Yukon	0.14	$100	$1,200
Yukon Flats	REAA	Stevens Village	0.16	$110	$1,300
Yukon Flats	REAA	Venetie	0.10	$70	$800
Yukon Flats Total					**$12,400**
Yukon/Koyukuk	REAA	Allakaket	0.16	$110	$1,300
Yukon/Koyukuk	REAA	Betties	0.29	$210	$2,500
Yukon/Koyukuk	REAA	Hughes	0.23	$160	$1,900
Yukon/Koyukuk	REAA	Huslia	0.25	$170	$2,000
Yukon/Koyukuk	REAA	Kaltag	0.23	$160	$1,900
Yukon/Koyukuk	REAA	Koyukuk	0.12	$80	$1,000
Yukon/Koyukuk	REAA	Manley Hot Springs	0.33	$230	$2,800
Yukon/Koyukuk	REAA	Minto	0.22	$150	$1,800
Yukon/Koyukuk	REAA	Nulato	0.22	$150	$1,800
Yukon/Koyukuk	REAA	Ruby	0.16	$110	$1,300
Yukon/Koyukuk Total					**$18,300**
Yupiit	REAA	Akiachak	0.25	$180	$2,200
Yupiit Total					**$2,200**
Grand Total, ALL SCHOOL DISTRICTS					**$258,000**

NOTES:

(1) Schools are eligible to receive up to 700 kwh of PCE credits per month (AS 42.45.110). For the purposes of calculating PCE credits, administrators consider all school facilities within a community as one customer eligible for one 700 kwh credit: if a community were home to an elementary school, middle school, and teacher housing, all three facilities together would be eligible to receive 700 kilowatt hours of credit (19 AAC 97.260, standards for customer eligibility). PCE grant administrator Irene Tomary reports that every school district customer account currently uses the entire 700 kwh monthly maximum during the school year. PCE records show that most, but not all, school customer account holders use 700 kwh even during June and July. For the purposes calculating annual PCE credits to all school districts, therefore, we assume that each eligible "school customer" listed on this table receives the maximum 700 kwh for 12 months of the year.

(2) Tatitlik school and teacher housing are currently ineligible because of outstanding balance owed to the utility. If the balance brought to within program limits, they may begin receiving credit again.

(3) Arctic Village Electric Company did not file its annual update with APUC. This report is required to enable the APUC to determine the PCE level per kwh for each utility. The utility, and, therefore, community residents, may not receive PCE credits until the utility files the report (3 AAC 52.640). The last monthly report was filed July 1, 1998.

SOURCES: Department of Community and Regional Affairs, Division of Energy (Terry Ganthner and Irene Tomary), personal communication, March 1999; Department of Education, database of Alaska public schools available at http://www.educ.state.ak.us/Alaskan_schools/public/home.html

TABLE 2: Actual PCE Credits to Selected Schools Participating in the Power Cost Equalization Program, FY98									
District	Community	Customer	Month	Total Kwh Used	Rate Per Kwh	Cost WITHOUT PCE	PCE Credits Paid to Utility [1]		% of Gross Paid by PCE
							per Kwh	Dollars	
Bering Strait School District	Diomede	School District Facilities	Jul-97	19,119	0.43	$ 8,221	0.22	$155	1.9%
			Aug-97	11,397	0.43	$ 4,901	0.22	$155	3.2%
			Sep-97	15,487	0.43	$ 6,659	0.22	$155	2.3%
			Oct-97	18,852	0.43	$ 8,106	0.22	$155	1.9%
			Nov-97	26,780	0.43	$ 11,515	0.25	$172	1.5%
			Dec-97	18,601	0.43	$ 7,998	0.25	$172	2.2%
			Jan-98	18,106	0.43	$ 7,786	0.25	$172	2.2%
			Feb-98	30,615	0.43	$ 13,164	0.25	$172	1.3%
			Mar-98	19,650	0.43	$ 8,450	0.24	$171	2.0%
			Apr-98	18,902	0.43	$ 8,128	0.24	$171	2.1%
			May-98	16,692	0.43	$ 7,178	0.24	$171	2.4%
			Jun-98	10,350	0.43	$ 4,451	0.24	$171	3.8%
Bering Strait--Diomede Total				**224,551**		**$ 96,557**		**$1,993**	**2.1%**
Bering Strait	Golovin	School	Jul-97	4,380	0.38	$ 1,664	0.22	$155	9.3%
			Aug-97	5,465	0.38	$ 2,077	0.22	$155	7.5%
			Sep-97	7,693	0.38	$ 2,923	0.22	$155	5.3%
			Oct-97	10,353	0.38	$ 3,934	0.22	$155	4.0%
			Nov-97	10,661	0.38	$ 4,051	0.22	$155	3.8%
			Dec-97	11,155	0.38	$ 4,239	0.22	$155	3.7%
			Jan-98	10,646	0.38	$ 4,045	0.22	$155	3.8%
			Feb-98	10,699	0.38	$ 4,066	0.22	$155	3.8%
			Mar-98	10,228	0.38	$ 3,887	0.23	$164	4.2%
			Apr-98	10,707	0.38	$ 4,069	0.23	$164	4.0%
			May-98	7,762	0.38	$ 2,950	0.23	$164	5.5%
			Jun-98	2,431	0.38	$ 924	0.22	$153	16.5%
Bering Strait--Golovin Total				**2,431**		**$ 38,828**		**$1,887**	**4.9%**

TABLE 2: Actual PCE Credits to Selected Schools Participating in the Power Cost Equalization Program, FY98									
District	Community	Customer	Month	Total Kwh Used	Rate Per Kwh	Cost WITHOUT PCE	PCE Credits Paid to Utility (1)		% of Gross Paid by PCE
							per Kwh	Dollars	
Kodiak Island Borough	Old Harbor	School	Jul-97	1,232	1.99	$ 2,452	0.15	$107	4.3%
			Aug-97	4,441	0.71	$ 3,166	0.15	$107	3.4%
			Sep-97	9,528	0.43	$ 4,089	0.15	$107	2.6%
			Oct-97	10,606	0.41	$ 4,353	0.15	$107	2.4%
			Nov-97	11,374	0.41	$ 4,659	0.15	$107	2.3%
			Dec-97	11,021	0.42	$ 4,603	0.15	$107	2.3%
			Jan-98	12,232	0.39	$ 4,802	0.15	$107	2.2%
			Feb-98	10,555	0.42	$ 4,431	0.15	$107	2.4%
			Mar-98	10,144	0.46	$ 4,647	0.17	$121	2.6%
			Apr-98	10,467	0.45	$ 4,708	0.17	$121	2.6%
			May-98	9,767	0.45	$ 4,391	0.17	$121	2.7%
			Jun-98	6,279	0.59	$ 3,733	0.17	$121	3.2%
Kodiak Island--Old Harbor Total				**107,646**		**$ 50,034**		**$1,336**	**2.7%**
Kodiak Island Borough	Ouzinkie	School	Jul-97	2,293	0.30	$ 688	0.11	$79	11.5%
			Aug-97	3,502	0.30	$ 1,051	0.11	$79	7.5%
			Sep-97	8,452	0.30	$ 2,536	0.11	$79	3.1%
			Oct-97	10,057	0.30	$ 3,017	0.11	$79	2.6%
			Nov-97	8,913	0.30	$ 2,674	0.11	$79	3.0%
			Dec-97	10,111	0.30	$ 3,033	0.11	$79	2.6%
			Jan-98	10,024	0.30	$ 3,007	0.11	$74	2.5%
			Feb-98	9,689	0.30	$ 2,907	0.11	$74	2.5%
			Mar-98	6,220	0.30	$ 1,866	0.10	$73	3.9%
			Apr-98	9,075	0.30	$ 2,723	0.10	$73	2.7%
			May-98	7,707	0.30	$ 2,312	0.10	$71	3.1%
			Jun-98	1,693	0.30	$ 508	0.10	$71	13.9%
Kodiak Island--Ouzinkie Total				**87,736**		**$ 26,321**		**$910**	**3.5%**
Kodiak Island Borough	Larsen Bay	School	Jul-97	1,680	0.40	$ 672	0.20	$141	21.0%
			Aug-97	3,120	0.40	$ 1,248	0.20	$141	11.3%
			Sep-97	6,720	0.40	$ 2,688	0.20	$141	5.2%
			Oct-97	9,480	0.40	$ 3,792	0.20	$141	3.7%
			Nov-97	10,800	0.40	$ 4,320	0.20	$141	3.3%
			Dec-97	9,840	0.40	$ 3,936	0.21	$148	3.8%
			Jan-98	11,640	0.40	$ 4,656	0.21	$148	3.2%
			Feb-98	9,000	0.40	$ 3,600	0.20	$142	3.9%
			Mar-98	10,440	0.40	$ 4,176	0.20	$141	3.4%
			Apr-98	9,000	0.40	$ 3,600	0.20	$141	3.9%
			May-98	7,800	0.40	$ 3,120	0.20	$141	4.5%
			Jun-98	2,880	0.40	$ 1,152	0.20	$141	12.2%
Kodiak Island--Larsen Bay Total				**92,400**		**$ 36,960**		**$1,706**	**4.6%**

TABLE 2: Actual PCE Credits to Selected Schools Participating in the Power Cost Equalization Program, FY98

District	Community	Customer	Month	Total Kwh Used	Rate Per Kwh	Cost WITHOUT PCE	PCE Credits Paid to Utility [1]		% of Gross Paid by PCE
							per Kwh	Dollars	
Kuspuk	Aniak	School	Jul-97	7,750	0.44	$ 3,395	0.21	$149	4.4%
School		District	Aug-97	15,918	0.43	$ 6,837	0.24	$166	2.4%
District		Facilities	Sep-97	28,197	0.42	$ 11,888	0.24	$166	1.4%
			Oct-97	33,349	0.42	$ 13,997	0.23	$164	1.2%
			Nov-97	32,859	0.42	$ 13,797	0.23	$164	1.2%
			Dec-97	33,287	0.42	$ 13,984	0.23	$164	1.2%
			Jan-98	38,654	0.42	$ 16,184	0.23	$164	1.0%
			Feb-98	38,280	0.42	$ 16,028	0.24	$168	1.0%
			Mar-98	26,702	0.42	$ 11,292	0.24	$166	1.5%
			Apr-98	36,515	0.42	$ 15,282	0.23	$164	1.1%
			May-98	26,638	0.42	$ 11,255	0.23	$164	1.5%
			Jun-98	8,915	0.43	$ 3,844	0.25	$174	4.5%
Kuspuk--Aniak Total				**327,064**		**$ 137,783**		**$1,973**	**1.4%**
Kuspuk	Lower	School	Jul-97	600	1.73	$ 1,039	0.12	$69	6.7%
School	Kalskag		Aug-97	1,380	0.92	$ 1,264	0.12	$81	6.4%
District			Sep-97	4,320	0.40	$ 1,718	0.12	$81	4.7%
			Oct-97	5,580	0.35	$ 1,953	0.12	$81	4.1%
			Nov-97	5,520	0.35	$ 1,944	0.12	$81	4.2%
			Dec-97	4,380	0.38	$ 1,682	0.12	$81	4.8%
			Jan-98	4,320	0.38	$ 1,628	0.12	$81	5.0%
			Feb-98	5,100	0.34	$ 1,746	0.12	$81	4.6%
			Mar-98	4,080	0.40	$ 1,648	0.13	$88	5.3%
			Apr-98	4,740	0.38	$ 1,802	0.13	$88	4.9%
			May-98	3,480	1.07	$ 3,709	0.13	$88	2.4%
			Jun-98	-		$ -			
Kuspuk--Lower Kalskag Total				**43,500**		**$ 20,132**		**$901**	**4.5%**
Kuspuk	Upper	School	Jul-97	238	8.93	$ 2,125	0.12	$28	1.3%
School	Kalskag		Aug-97	1,487	1.62	$ 2,414	0.12	$81	3.4%
District			Sep-97	9,588	0.39	$ 3,758	0.12	$81	2.2%
			Oct-97	7,248	0.51	$ 3,720	0.12	$81	2.2%
			Nov-97	11,835	0.35	$ 4,188	0.12	$81	1.9%
			Dec-97	13,342	0.34	$ 4,596	0.12	$81	1.8%
			Jan-98	12,985	0.34	$ 4,407	0.12	$81	1.8%
			Feb-98	14,055	0.34	$ 4,749	0.12	$81	1.7%
			Mar-98	13,997	0.35	$ 4,844	0.13	$88	1.8%
			Apr-98	13,093	0.35	$ 4,560	0.13	$88	1.9%
			May-98	7,788	0.47	$ 3,640	0.13	$88	2.4%
			Jun-98	229	9.48	$ 2,171	0.13	$29	1.3%
Kuspuk--Upper Kalskag Total				**105,885**		**$ 45,174**		**$887**	**2.0%**

TABLE 2: Actual PCE Credits to Selected Schools Participating in the Power Cost Equalization Program, FY98									
District	Community	Customer	Month	Total Kwh Used	Rate Per Kwh	Cost WITHOUT PCE	PCE Credits Paid to Utility [1]		% of Gross Paid by PCE
							per Kwh	Dollars	
Kuspuk	Chuathbaluk	School	Jul-97	339	0.61	$ 208	0.35	$118	56.5%
School			Aug-97	2,958	0.58	$ 1,726	0.35	$243	14.1%
District			Sep-97	5,494	0.59	$ 3,222	0.35	$243	7.5%
			Oct-97	5,568	0.57	$ 3,169	0.35	$243	7.7%
			Nov-97	5,488	0.57	$ 3,124	0.35	$243	7.8%
			Dec-97	4,760	0.57	$ 2,711	0.35	$243	9.0%
			Jan-98	5,149	0.55	$ 2,823	0.35	$242	8.6%
			Feb-98	5,250	0.55	$ 2,878	0.35	$242	8.4%
			Mar-98	6,230	0.55	$ 3,413	0.35	$242	7.1%
			Apr-98	5,852	0.55	$ 3,206	0.35	$242	7.5%
			May-98	4,525	0.56	$ 2,520	0.35	$242	9.6%
			Jun-98	486	0.58	$ 281	0.35	$168	59.7%
Kuspuk--Chuathbaluk Total				**52,099**		**$ 29,281**		**$2,710**	**9.3%**
Kuspuk	Sleetmute	School	Jul-97	922	0.59	$ 546	0.35	$243	44.5%
School		District	Aug-97	1,712	0.59	$ 1,004	0.35	$243	24.2%
District		Facilities	Sep-97	3,263	0.59	$ 1,919	0.35	$243	12.7%
			Oct-97	3,663	0.57	$ 2,089	0.35	$243	11.6%
			Nov-97	3,580	0.57	$ 2,042	0.35	$243	11.9%
			Dec-97	3,653	0.57	$ 2,083	0.35	$243	11.7%
			Jan-98	3,778	0.55	$ 2,074	0.35	$242	11.7%
			Feb-98	4,544	0.55	$ 2,492	0.35	$242	9.7%
			Mar-98	3,505	0.55	$ 1,925	0.35	$242	12.6%
			Apr-98	3,547	0.59	$ 2,099	0.35	$242	11.5%
			May-98	2,503	0.56	$ 1,399	0.35	$242	17.3%
			Jun-98	128	0.65	$ 83	0.35	$44	53.3%
Kuspuk--Sleetmute Total				**34,798**		**$ 19,756**		**$2,712**	**13.7%**
Kuspuk	Stony River	School	Jul-97	974	0.59	$ 576	0.35	$243	42.2%
School		District	Aug-97	2,586	0.58	$ 1,510	0.35	$243	16.1%
District		Facilities	Sep-97	3,830	0.59	$ 2,250	0.35	$243	10.8%
			Oct-97	4,370	0.57	$ 2,490	0.35	$243	9.8%
			Nov-97	4,394	0.57	$ 2,503	0.35	$243	9.7%
			Dec-97	4,184	0.57	$ 2,384	0.35	$243	10.2%
			Jan-98	4,013	0.55	$ 2,203	0.35	$242	11.0%
			Feb-98	3,631	0.55	$ 1,994	0.35	$242	12.1%
			Mar-98	2,347	0.55	$ 1,293	0.35	$242	18.7%
			Apr-98	2,717	0.59	$ 1,610	0.35	$242	15.0%
			May-98	3,158	0.56	$ 1,762	0.35	$242	13.7%
			Jun-98	38	0.87	$ 33	0.35	$13	39.7%
Kuspuk--Stony River Total				**36,242**		**$ 20,609**		**$2,681**	**13.0%**

TABLE 2: Actual PCE Credits to Selected Schools Participating in the Power Cost Equalization Program, FY98

District	Community	Customer	Month	Total Kwh Used	Rate Per Kwh	Cost WITHOUT PCE	PCE Credits Paid to Utility [1]		% of Gross Paid by PCE
							per Kwh	Dollars	
Yukon Flats School District	Beaver	School District Facilities	Jul-97	3,424	0.66	$ 2,243	0.24	$170	7.6%
			Aug-97	6,240	0.66	$ 4,087	0.24	$170	4.2%
			Sep-97	4,240	0.66	$ 2,777	0.24	$170	6.1%
			Oct-97	7,920	0.66	$ 5,188	0.24	$170	3.3%
			Nov-97	7,280	0.66	$ 4,768	0.26	$182	3.8%
			Dec-97	8,400	0.66	$ 5,502	0.26	$182	3.3%
			Jan-98	7,040	0.66	$ 4,611	0.26	$182	4.0%
			Feb-98	6,640	0.66	$ 4,349	0.26	$182	4.2%
			Mar-98	6,800	0.66	$ 4,454	0.26	$181	4.1%
			Apr-98	6,800	0.65	$ 4,450	0.26	$180	4.1%
			May-98	3,520	0.66	$ 2,306	0.26	$179	7.8%
			Jun-98	2,320	0.66	$ 1,520	0.26	$179	11.8%
Yukon Flats--Beaver Total				**70,624**		**$ 46,255**		**$2,130**	**4.6%**
Yukon Flats School District	Stevens Village	School District Facilities	Jul-97	2,854	0.55	$ 1,570	0.14	$95	6.1%
			Aug-97	1,982	0.55	$ 1,090	0.14	$95	8.7%
			Sep-97	4,889	0.55	$ 2,689	0.14	$95	3.5%
			Oct-97	5,357	0.55	$ 2,946	0.14	$95	3.2%
			Nov-97	5,312	0.55	$ 2,922	0.14	$95	3.3%
			Dec-97	2,476	0.55	$ 1,362	0.14	$95	7.0%
			Jan-98	4,998	0.55	$ 2,749	0.14	$95	3.5%
			Feb-98	2,516	0.55	$ 1,384	0.14	$95	6.9%
			Mar-98	4,239	0.55	$ 2,331	0.13	$94	4.0%
			Apr-98	4,145	0.55	$ 2,280	0.13	$94	4.1%
			May-98	4,168	0.55	$ 2,292	0.13	$94	4.1%
			Jun-98	1,489	0.55	$ 819	0.13	$94	11.5%
Yukon Flats--Stevens Village Total				**44,425**		**$ 24,434**		**$1,137**	**4.7%**

NOTE:
(1) Schools are eligible to receive up to 700 Kwh of PCE credits per month (AS 42.45.110). For the purposes of calculating PCE credits, administrators consider all school facilities within a community as one customer eligible for one 700 Kwh credit: if a community were home to an elementary school, middle school, and teacher housing, all three facilities combined would be eligible to receive 700 kilowatt hours of credit (19 AAC 97.260, standards for customer eligibility). PCE credits calculated here are for the maximum 700 Kwh per month limit; actual Kwh used when actual Kwh usage was less than 700.

SOURCE:
Alaska Department of Community and Regional Affairs, Division of Energy, March 1999; information extracted from monthly utility reports submitted to PCE administrators for the period July 1997 through June 1998.

LEGISLATIVE RESEARCH REPORT

SEPTEMBER 19, 2005

REPORT NUMBER 06.016

POWER COST EQUALIZATION PROGRAM

BY KATHLEEN L. WAKEFIELD, LEGISLATIVE ANALYST

You asked that we update Legislative Research Report 00.022, *Power Cost Equalization, 1981-1999*, which was itself an update of an even earlier report (95.159, *Legislative History of the Power Cost Equalization Program*).

As you know, legislators established a rural electrical rate subsidy program in 1980 called the Power Production Cost Assistance (PPCA) program (now known as PCE, or the Power Cost Equalization program). The program was created to provide subsidies to utilities to reduce the electrical rates paid by rural residents to levels comparable to rates in Anchorage, Fairbanks, and Juneau. The Regulatory Commission of Alaska (RCA) determines the equalization rate for each utility, using fuel expenses (including transportation) and non-fuel expenses such as salaries, insurance, taxes, and other "reasonable costs."[1] Eligible utilities then submit monthly reports to the Alaska Energy Authority (AEA), documenting the amount of power sold.[2] AEA then calculates the amount of equalization assistance due and reimburses each utility for the subsidy the company has already provided to its customers. AEA also determines the eligibility of customers and community facilities.[3]

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[1] "Highlights of the Power Cost Equalization Program," *Statistical Report of the Power Cost Equalization Program, Fiscal Year 2004*, December 2004, p. 3.

[2] AS 42.45.115 excludes any electrical utility "whose primary source of power for sale to customers is one or more of the power projects that were part of the former initial project" from the PCE program. The "former initial project" refers to the Four Dam Pool hydroelectric facilities (Tyee Lake, Swan Lake, Solomon Gulch, and Terror Lake).

[3] For example, 3 AAC 107.270 defines "customers" as including "an eligible electric utility's residential customer of energy for a single-family or multi-family dwelling, or residential housing unit." In addition, 3 AAC 107.260 requires that customers make "timely payments" to the electrical utility. "Community facilities" include water and sewer facilities, public outdoor lighting, and other community buildings open to the public. AS 42.45.150(1).

Over the years, legislators have made a number of modifications to the program, while maintaining the initial intent of reducing rural electrical costs. The following information shows the evolution of the program:

- **FY81**: Legislators established the *Power Production Cost Assistance Program* under the Alaska Power Authority.[4] The program reimbursed utilities for a percentage of eligible power costs that exceeded the "entry rate"—85 percent of eligible costs in excess of 7.65 cents per kWh. The "ceiling rate," or maximum rate, was 40 cents per kWh—PPCA reimbursed utilities for 100 percent of costs that exceeded the maximum rate. Eligible costs included only production and transmission costs.

- **FY82**: The program's name was changed to the *Power Cost Assistance Program.* The entry rate was increased to 12 cents per kWh, and the ceiling rate was increased to 45 cents. Eligible costs were expanded to include administrative and distribution costs. Utilities received reimbursement for 95 percent of eligible costs, but no reimbursement for costs in excess of the ceiling rate. In addition, legislators imposed "consumption caps" of 600 kwh per month for residential and commercial consumers, and 55 kWh per month per resident for community facilities.

- **FY85**: The program's name was changed again, to the *Power Cost Equalization Program* (PCE). The entry rate was reduced to 8.5 cents per kWh, and the ceiling rate increased to 52.5 cents. Utilities received reimbursement for 95 percent of eligible costs, but no reimbursement for costs in excess of the ceiling rate. Consumption caps were increased to 750 kWh per month for commercial and residential users, and to 70 kWh per month per resident for community facilities.

- **FY94**: Legislators established the *Power Cost Equalization and Rural Electric Capitalization Fund* (PEC-RECF).[5] They capitalized the fund through an appropriation from the Railbelt Energy Fund. In addition, legislators stated their intent to continue to support rural electrical subsidies by maintaining the fund at a minimum of $17 million dollars each year through 2013.[6]

  The legislation also transferred responsibility for all rural energy programs from AEA to the newly created Division of Energy in the Department of Community and Regional Affairs. AEA retained responsibility for the state's hydroelectric and intertie projects, under the auspices of the Alaska Industrial

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[4] In FY91, the Alaska Power Authority became the Alaska Energy Authority.

[5] The fund allows AEA to award grants to eligible utilities for up to 75 percent of costs for small power projects designed to reduce the cost of providing electrical power. According to AS 42.45.180(b), total grants may not exceed three percent of the available fund balance in any one year. In addition to the initial $67 million appropriation from the Railbelt Energy Fund, further deposits to the fund include annual appropriations for electrical subsidies and grants, appropriations from the National Petroleum Reserve-Alaska special reserve fund, appropriations from the Power Cost Equalization Endowment Fund, interest, and "any gifts, bequests, contributions from other sources, and federal money." AS 42.45.100(b).

[6] Section 1(b), Ch. 18, SLA 1993.

Development and Export Authority (AIDEA). The PCE entry rate was increased to 9.5 cents per kWh, but the ceiling rate remained the same, as did the percentage of reimbursement. Consumption caps were reduced to 700 kWh per month for residential and commercial users, and remained at 70 kWh per month per resident for community facilities. The legislature, however, eliminated the subsidies for federal and state government facilities.

- **FY98**: Governor Knowles established the PCE Blue Ribbon Committee to "consider and recommend an overall policy on the future of PCE."[7] The committee was composed of legislators, industry representatives, and one public member. Among the committee's recommendations were the following items:

    - The legislature should extend PCE or an alternative rate support program into the future;

    - Rate support should be available only for residential consumers and for community facilities that are directly related to public health and safety; and

    - The legislature should establish a stable source of funding for the program.[8]

- **FY99**: The entry rate for PCE was increased to 12 cents per kWh, and the consumption caps were reduced to 500 kWh per month for residential users. The consumption cap for community facilities remained at 70 kWh per month per resident. Legislators abolished subsidies for commercial users and schools. The legislature approved HB 40, which reorganized several state departments, abolished the Department of Community and Regional Affairs, and transferred the agency's responsibilities to other departments.[9] Rural energy programs, including PCE, were transferred to AEA, with AIDEA oversight. Former Division of Energy staff became AIDEA employees.

- **FY01**: Legislators established the *Power Cost Equalization Endowment Fund* (PCE-RECF) to support the PCE and Rural Electric Capitalization Fund.[10] The endowment fund consists of legislative appropriations and any interest earned by the fund. Lawmakers appropriated $100 million from the Constitutional Budget Reserve Fund as the initial capitalization for the fund. The proceeds from the sale of the Four Dam Pool and the balance of the Four Dam Pool Insurance Fund were deposited into the fund in 2002, bringing the total deposits into the fund to approximately $192 million.

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[7] "Introduction," *Power Cost Equalization: Report and Recommendations of the Governor's Blue Ribbon Committee*, February 1, 1999, p. 1.

[8] "Summary of Recommendations," p. 3.

[9] Ch. 58, SLA 1999.

[10] AS 42.45.070 and 42.45.085.

The legislature has continued to appropriate funds to the PCE-RECF for the operation of the PCE program. The FY06 appropriation is $18.7 million.

Table 1 shows the changes in program provisions over the past 25 years.

Table 1: Changes in PCE Program Requirements, FY81-FY05

Program Requirements	FY81 Power Production Cost Assistance Program	FY82-FY85 Power Cost Assistance Program	FY85-FY94 Power Cost Equalization Program	FY94-FY98 Power Cost Equalization Program	FY99-Present Power Cost Equalization Program
Entry Rate [1]	7.65 cents/kWh	12 cents/kWh	8.5 cents/kWh	9.5 cents/kWh	12 cents/kWh
Ceiling Rate [2]	40.0 cents/kWh	45.0 cents/kWh	52.5 cents/kWh	52.5 cents/kWh	52.5 cents/kWh
Percentage of Eligible Costs Reimbursed	85 percent	95 percent	95 percent	95 percent	95 percent
Eligible Costs in Excess of the Ceiling Rate Paid	Yes	No	No	No	No
Consumption Cap for Residential and Commercial Customers[3]	None	600 kWh/month	750 kWh/month	700 kWh/month	500 kWh/month
Consumption Cap for Community Facilities	None	55 kWh/month per resident	70 kWh/month per resident	70 kWh/month per resident	70 kWh/month per resident

NOTES:
1. *Entry Rate*: A rural utility is reimbursed a percentage of its costs when those costs exceed the minimum amount per kilowatt hour.
2. *Ceiling Rate*: This is the maximum amount for eligible costs--under the current program, a rural utility receives no reimbursement for costs in excess of this figure.
3. In FY94, the legislature elimiated subsidies for federal and state government facilities. In FY99, the legislature eliminated subsidies for schools and commercial users.

SOURCES: AS 42.45.100-190; Alaska Energy Authority; Legislative Research Reports 95.159 and 00.022.

Over the life of the program, the state has spent $378 million for power cost equalization (this figure does not include the FY06 appropriation of $18.7 million, nor does it include power project grants from the PEC-REC fund). Table 2 shows the amount spent or appropriated for PCE by fiscal year.

Table 2: Power Cost Equalization Program Expenditures, FY1981-2006

Fiscal Year	Amount[1]	Fiscal Year	Amount
1981	$2,658.6	1994	$17,679.9
1982	$9,300.0	1995	$18,620.5
1983	$8,300.0	1996	$19,329.7
1984	$8,298.2	1997	$17,967.9
1985*	$14,128.2	1998	$18,664.2
1986	$17,532.0	1999	$18,050.0
1987	$13,787.5	2000	$14,562.2
1988	$15,000.0	2001	$16,091.6
1989	$16,823.6	2002	$15,619.7
1990	$19,715.5	2003	$15,700.0
1991	$16,747.1	2004	$15,700.0
1992	$15,029.6	2005	$15,700.0
1993	$17,533.0	*2006*	*$18,700.0*
	Total PCE 1981-2006		***$397,239.0***

Notes: 1. Amounts for FY1981-2005 are actual expenditures. Amounts for FY1981-1984 include administrative costs. FY2006 is the authorized budget amount.
* The large increase in program expenditures in FY85 was due to a reduction in the entry rate and increases in the consumption caps for residential and commercial consumers, and community facilities.

Sources: Legislative Finance Division, Historical Budgets online and Operating Budget Books ("shortforms").

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

LEGISLATIVE RESEARCH REPORT

DECEMBER 16, 1999

REPORT NUMBER 00.022

POWER COST EQUALIZATION, 1981-1999

PREPARED BY KEVIN O'SULLIVAN, LEGISLATIVE ANALYST

You requested an update of Legislative Research Report 95.159, a legislative history of the Power Cost Equalization Program (PCE). As enacted in 1981, the program was designed to reduce the electric rates paid by rural consumers to levels comparable to those paid by consumers in Anchorage, Fairbanks, and Juneau. The program also makes grants to eligible utilities to improve the performance of the utility. Operating under four different names over the past twenty years, the program has evolved in various ways. Because 95.159 provided a detailed history for the years 1981-1995, we focus in this report on developments from 1995 to the present.[1]

Significant Changes Since 1995

An amendment to AS.42.45.110 effective July, 1999, increased the entry rate from 9.5 cents/kwh to 12 cents/kwh and decreased the consumption cap for residential customers from 700 kwh/month to 500 kwh/month. As a result, the subsides paid to rural utilities will decline. A second significant change removed commercial customers and public schools from the energy subsidy program.[2] Especially affected by this change are rural school districts who must now absorb the cost of lost PCE credits out of their operating budgets, while still meeting the requirements of AS 14.17.520 to spend at least 70 percent of their operating budget on instructional functions.[3]

During the past five years, the Legislature appropriated approximately $17 million annually to the Power Cost Equalization and Rural Electric Capitalization (PCE-REC).[4] This is in keeping with the Legislature's intent to flat-fund the power cost equalization program at a minimum of $17 million

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[1] For a detailed history of these four programs between 1981-1995, see Legislative Research Report 95.159.

[2] Sec. 5-8 ch 93 SLA 1999.

[3] For more information, see Legislative Research Report 99.086, "Use of the PCE Program by School Districts."

[4] *Statistical Report of the Power Cost Equalization Program*, Division of Energy for fiscal years 1996-1999.

annually through the year 2013.[5] Bert Tarrant, PCE program coordinator for the Division of Energy, reports that PCE program costs without commercial customers and schools are approximately $15.7 million. If appropriations are insufficient for payment in full to program participants, statutes direct the Department of Community and Economic Development (DCED) to divide these appropriations on a pro rata basis among the utilities.[6]

The following tables summarizes the main differences in the programs over the years.

Changes in PCE Program Requirements

	FY 81 Power Production Cost Assistance Program	FY 82-FY85 Power Cost Assistance Program	FY 85-FY94 Power Cost Equalization Program	FY 94-FY 98 Power Cost Equalization and Rural Electric Capitalization Fund	FY 99-Present Power Cost Equalization and Rural Electric Capitalization Fund
Entry Rate [1]	7.65 cents/kwh	12 cents/kwh	8.5 cents/kwh	9.5 cents/kwh	12 cents/kwh
Ceiling Rate [2]	40.0 cents/kwh	45.0 cents/kwh	52.5 cents/kwh	52.5 cents/kwh	52.5 cents/kwh
Percentage of Eligible Costs Reimbursed	85 percent	95 percent	95 percent	95 percent	95 percent
Eligible Costs in Excess of the Ceiling Rate Paid	Yes	No	No	No	No
Consumption Cap for Residential and Commercial Customers[3]	None	600 kwh/month	750 kwh/month	700 kwh/month	500 kwh/month
Consumption Cap for Community Facilities	None	55 kwh/month per resident	70 kwh/month per resident	70 kwh/month per resident	70 kwh/month per resident

NOTES:
1. Entry Rate: A rural utility is reimbursed a percentage of its costs when those costs exceed the minimum amount per kilowatt hour.
2. Ceiling Rate: A rural utility is reimbursed a percentage of its costs when those costs are below this maximum but above the entry rate.
3. Customer eligibility is defined in statute and based on actual power use. State and federal offices and facilities are excluded from PCE. Recent changes to AS 42.45.110 made commercial customers and public schools ineligible for PCE credits. Residential customers are now eligible for PCE credit up to 500 kwh/month, while community facilities, as a group, continue to receive PCE credit for up to 70 kwh/month multiplied by the number of residents in the community.

SOURCES: Department of Community and Economic Development, Division of Energy (Bert Tarrant), personal communications, December 1999; Sec. 5-8 ch 93 SLA 1999; Legislative Research Report 95.159.

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

[5] Chapter 18, SLA 1993.

[6] Chapter 58, SLA 1999 transferred responsibility for administering the PCE-REC program to the Department of Community and Economic Development, Division of Energy, following the dissolution of the Department of Community and Regional Affairs. PCE pro rata reduction is required by AS 42.45.110 (l).

LEGISLATIVE RESEARCH REPORT

APRIL 10, 2009

REPORT NUMBER 09.200

A HISTORY OF MAJOR ENERGY APPROPRIATIONS, INCLUDING THE RAILBELT ENERGY FUND

PREPARED BY ROGER WITHINGTON, LEGISLATIVE ANALYST

You asked us to update Legislative Research Report (LRS) 05.206, in which we provided a history of the Railbelt Energy Fund (REF). As with LRS 05.206, in this report we provide an updated list of appropriations to and from the fund, and for other major energy-related projects. In addition, we provide a brief history of Alaska's energy expenditures and a history of the REF, as well as brief discussions of other major projects. We also include several tables that show a chronological history of major energy appropriations, appropriations to and from the REF, and expenditures for the Power Cost Equalization program.

SUMMARY

Any discussion of Alaska's energy program over the last thirty years must begin with the understanding that the program has a complicated history, and that information on the state's disparate energy projects is not available from any one source. For this report we reviewed data

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from the Office of Management and Budget and Legislative Finance, reports from the now defunct Division of Energy, information from the Alaska Energy Authority, fund data from the Department of Administration, and appropriations in Legislative Finance operating budget books and the *Session Laws of Alaska*. We made every effort to ensure that the information contained in this report is as complete and accurate as possible.

Major funding for energy projects began in 1976, with an appropriation of $2.5 million to the water resources revolving loan fund. Out of that came the initial appropriations for loans for major dam projects: Green Lake, Swan Lake, Terror Lake, and Tyee Lake. In 1982, lawmakers changed the loans to grants, made additional appropriations for the projects, and also appropriated funds to purchase the hydroelectric project at Solomon Gulch.[1] The Swan, Terror, and Tyee Lake projects, along with Solomon Gulch, became known as the "Four Dam Pool." The Four Dam Pool was sold to private utility companies in 2002.[2]

In 1979, lawmakers appropriated the first funds for the Susitna Hydroelectric Project. Between 1979 and 1985, about $423 million was appropriated for Susitna. During the same period of time, lawmakers appropriated funds for the Bradley Lake Hydroelectric Project—a total of $328 million ($163 million in grants and $165 million in general obligation bonds).[3]

Between 1980 and 1984, legislators appropriated $124 million for the Alaska intertie, which runs from Willow to Healy (and which was formerly called the "Anchorage/Fairbanks intertie"). In this same time period, lawmakers created the Power Cost Equalization program in the Division of Energy. The program was to reduce electrical rates paid by rural consumers to a level comparable to the rates in Anchorage, Fairbanks, and Juneau. From 1981 to 2009, PCE expenditures totaled about $505 million.[4]

In 1986, lawmakers created the Railbelt Energy Fund (REF). The Susitna project was cancelled, and the monies appropriated for it were repealed and reappropriated to capitalize the REF. Between 1986 and 2008, a total of $468 million was appropriated to the REF, and appropriations of about $467 million were made from the REF to fund a variety of projects. Projects funded from the REF include the Healy Cogeneration Project ($55 million), the intertie reserve for the Northern and Southern interties ($100 million) and the capitalization for the Power Cost Equalization and Rural Capitalization Fund ($67 million).

In 2000, lawmakers created the Power Cost Equalization Endowment Fund to support the PCE program. The fund was capitalized with an appropriation of $100 million from the Constitutional Budget Reserve Fund, and in 2002 the proceeds from the sale of the Four Dam Pool were

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[1] The major dam projects were to provide electrical power to the following communities: Ketchikan (Swan Lake), Kodiak (Terror Lake), Sitka (Green Lake), Valdez/Glennallen (Solomon Gulch), and Wrangell/Petersburg (Tyee Lake).

[2] According to Sara Fisher-Goad and Valorie Walker from the AEA, the AEA still owns Bradley Lake. The AEA also owns a small hydroelectric project at Larsen Bay on Kodiak Island. This project was paid for through revenue bonds, and includes water system upgrades as well as hydropower generation. The AEA has tried to get the community of Larsen Bay to take over the project, with no success at this point. The AEA's projects are listed on its website at *http://www.akenergyauthority.org/projects.html*.

[3] Many of the figures used in this report are final tallies, and may not equal the total of the original appropriations for a particular project. For example, the original total for Bradley Lake was about $340 million—$175 million in general funds and $165 million in general obligation bonds, with a lapse amount of about $11.5 million. The figure we quote here is the total minus the lapse. Please note that we are not able to identify original totals in many cases, due to amendments to the original appropriations and repeals and reappropriations for different projects.

[4] This figure includes actual expenditures for fiscal years 1981-2008 and authorized budget amounts for FY2009.

deposited to the fund. As of December 31, 2008, the balance of the Fund, including invested assets was about $288.8 million.[5]

Since those first appropriations in the 1970s, Alaska has appropriated approximately $810 million for major energy projects for the railbelt, and about $1.05 billion collectively for the Four Dam Pool and PCE (this does not include the endowment fund). Railbelt projects include Susitna, Bradley Lake, the Alaska, Northern and Southern interties, and the Healy cogeneration project. These figures do not include the many small energy projects and grants across the state (for example, bulk fuel loans, generator upgrades, small hydropower projects, and weatherization projects).

The following information provides more detail on some of these major projects. In addition, Table 1 shows a brief chronological history of the major energy appropriations.

FOUR DAM POOL

The "Four Dam Pool," as its name suggests, consists of four individual hydroelectric projects: two in Southeast Alaska (Swan Lake [Ketchikan] and Tyee Lake [Petersburg/Wrangell]), one in Kodiak (Terror Lake), and one serving Valdez/Glennallen (Solomon Gulch). The projects include generation and transmission facilities. Funding for these projects began in 1976, with the initial loans for Swan, Terror, and Tyee Lakes (Chapter 237, SLA 1976). In 1981-82, lawmakers appropriated about $53 million for the purchase of the Solomon Gulch project, which was constructed by the Copper Valley Electric Association.[6] Electrical utilities purchased hydropower from these four projects through long-term power sales agreements.[7] The Four Dam Pool was owned and operated by the state through the Alaska Energy Authority (AEA).[8] According to the AEA, total funding for the Four Dam Pool was about $499 million, provided through state grants and loans (approximately $295 million in grants, $185 million in loans, and including about $19 million in interest accrued over the life of the project).[9]

In 2000, lawmakers approved the sale of the Four Dam Pool and, in 2002, the Four Dam Pool Power Agency (a consortium of the utilities that had purchased power from the dams) acquired the projects with the help of a loan from the Alaska Industrial Development and Export Authority

[5] Personal communication from Gary Zepp, Legislative Fiscal Analyst, Legislative Finance Division, April 17, 2009. Mr. Zepp can be reached at 907-465-5410.

[6] Solomon Gulch is the oldest of the Four Dam Pool projects, and the only one not built by the State of Alaska. "Alaska's Public Energy Resources," Rural Resource Agency Report 85.003207, July 1985, p. 75.

[7] The Four Dam Pool utilities are Copper Valley Electric Association, Ketchikan Public Utilities, Kodiak Electric Association, Petersburg Municipal Power and Light, and Wrangell Municipal Light and Power.

[8] Like Alaska's energy projects, the Alaska Energy Authority has a complicated history. Originally, the Alaska Power Authority (APA) was part of the Department of Commerce and Economic Development. The APA became the AEA in 1991. In 1993, the AEA was placed under the auspices of AIDEA, and in 1999 rural energy programs formerly administered by the Division of Energy, such as PCE, were transferred to the AEA. The AEA continues to act as a separate legal entity, although personnel are provided by AIDEA and the executive director serves both organizations.

[9] Sara Fisher-Goad and Valorie Walker, AEA.

(AIDEA).[10] The AIDEA loaned the consortium $77.1 million for the "purchase, closing costs and initial funding of reserves related to the acquisition of the Four Dam Pool Project."[11] In FY2008, the Four Dam Pool Power Agency received a $46.2 million grant for the Swan Lake to Tyee Lake intertie.[12]

BRADLEY LAKE

As we noted above, funding for Bradley Lake began in 1979. During the 1980s, the state appropriated about $175 million for the project. That amount was made up of a mix of general funds ($68 million), funding from the Power Development Fund ($50 million), and from the Railbelt Energy Fund ($57 million). In 1993, about $11.5 million lapsed back into the REF. The total cost for Bradley Lake was $328 million, including $165 million in general obligation bonds. Bradley Lake came online in 1991 and provides electrical power to a variety of railbelt utilities: Anchorage Municipal Light and Power, Chugach Electric Association, Golden Valley Electric Association, Homer Electric Association, Matanuska Electric Association, and Seward Electric Utility.[13]

POWER COST EQUALIZATION PROGRAM

As you know, the Power Cost Equalization program, or "PCE," was established in 1984 for the purpose of reducing electrical rates paid by rural consumers to a level comparable to the rates in Anchorage, Fairbanks, and Juneau. Precursors to the current program were the Power Production Cost Assistance and the Power Cost Assistance programs. In 1994, lawmakers created the Power Cost Equalization and Rural Energy Capitalization Fund, and capitalized it with an appropriation of $67 million from the REF.[14] Further deposits to the fund are composed of annual appropriations for electrical subsidies and grants, appropriations from the National Petroleum Reserve-Alaska special reserve fund, appropriations from the power cost equalization endowment fund, interest, and any "gifts, bequests, contributions from other sources, and federal money."[15]

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[10] "The Four Dam Pool Power Agency Loan," *AIDEA 2004 Annual Report*, p. 40, *http://www.aidea.org*. "Hydroelectric Facilities," *Alaska Electric Power Statistics 1960-2001*, Institute of Social and Economic Research, University of Alaska Anchorage, November 2003, Appendix C-1, *http://www.iser.uaa.alaska.edu/Publications/akelectricpowerfinal.pdf*.

[11] "Status of the Four Dam Pool Project and AIDEA Financing," Alaska Industrial Development and Export Authority/Alaska Energy Authority, February 8, 2005.

[12] Chapter 30, SLA 2007.

[13] *Alaska Electric Power Statistics, 1960-2001*, Institute of Social and Economic Research, University of Alaska, November 2003, p. C-1.

[14] The Rural Electric Capitalization provision allows the AEA to award grants to eligible utilities for up to 75 percent of the costs for small power projects designed to reduce the cost of providing electrical power. According to AS 42.45.180(b), total grants may not exceed three percent of the available balance in the fund in any one year.

[15] AS 42.45.100(b).

Table 2 shows the actual expenditures for PCE for fiscal years 1981 through 2008, the authorized budget for FY2009, and the Governor's Requested Budget for FY2010. The total amount allocated to the PCE program from 1981-2009 is about $505 million.

MAJOR INTERTIES

Funding for the construction of the Alaska intertie (formerly known as the "Anchorage/Fairbanks intertie") began in 1981.[16] Between 1981 and 1985, lawmakers appropriated about $124 million in general funds for the project, which runs from Willow to Healy and, in 2003, they appropriated about $20 million from the REF for an upgrade to the Teeland substation.

Lawmakers also funded other intertie projects, the major ones being the Northern, Southern, and Southeast interties and the Sutton/Glennallen intertie. The Northern intertie, which runs from Healy to Fairbanks, cost about $65 million. The Southern intertie from Anchorage to Kenai was never built—lawmakers appropriated about $47 million for the project, but the participating utilities pulled out.[17] The funds remain with the Alaska Energy Authority until they are repealed or reappropriated. The AEA has returned about $28.5 million in interest on the Southern intertie appropriation back to the State of Alaska.[18]

Lawmakers appropriated $55 million from the REF for the Sutton/Glennallen ($35 million) and Southeast ($20 million) interties in 1993. In 2000, those funds lapsed back into the REF. The Sutton/Glennallen project was cancelled, and the Southeast intertie is being built by the utilities that purchased the Four Dam Pool as part of the purchase agreement.

RAILBELT ENERGY FUND

As you know, lawmakers created the Railbelt Energy Fund in 1986. Management of the fund was assigned to the Department of Revenue, and monies were to be appropriated by the legislature for projects "to assist in meeting Railbelt energy needs."[19] Later, in 1993, lawmakers amended the statute to include expenditures for "programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation."[20] As of March 2, 2009, the unexpended and unobligated balance of the Railbelt Energy Fund is approximately $52.8 million.[21]

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[16] In the 1980s, lawmakers also appropriated funds for several smaller intertie projects, or for feasibility studies for such interties. We do not include these projects in this report.

[17] Sara Fisher-Goad and Valorie Walker, AEA.

[18] The Attorney General determined that interest on these funds should be returned to the general fund. Sara Fisher-Goad and Valorie Walker, AEA, April 11, 2005.

[19] Sec. 1, Ch. 29, SLA 1986. The "railbelt" refers to Alaska communities on the road system.

[20] AS 37.05.520 (Chapter 29, SLA 1986; amended by Chapter 18, SLA 1993 and Chapter 60, SLA 2000).

[21] Personal communication from Gary Zepp, Legislative Fiscal Analyst, Legislative Finance Division, April 17, 2009. Mr. Zepp can be reached at 907-465-5410.

The initial funds for the REF came from monies left over from the Susitna Hydroelectric Project. About $424 million was appropriated for Susitna during the early 1980s, but only about $134 million was spent on the project. When plans for the dam were discontinued, lawmakers repealed the appropriations for the Susitna project and reappropriated the remaining amounts to the REF as the initial capitalization (roughly $289.5 million).[22]

Since 1986, a total of just over $468 million has been appropriated to the REF, including interest. About $467 million has been spent from the fund for a variety of projects, including the Bradley Lake Hydroelectric project ($57 million) and the Railbelt intertie reserve ($100 million for the Soldotna-Anchorage and the Healy-Fairbanks interties).[23] In addition, funds were appropriated to the Power Project Fund for loans for the Sutton to Glennallen and Swan Lake to Tyee Lake interties ($55 million total).[24] In 1993, $67 million was appropriated to capitalize the Power Cost Equalization and Rural Electric Capitalization Fund (these were general funds appropriated to the REF for this specific purpose).

Tables 3 and 4, attached, show the details of appropriations to and from the fund.[25]

As you will note from Table 4, since 2003, lawmakers have made approximately $29.5 million in appropriations from the REF. The REF is normally not used for general government expenditures, and according to the Office of Management and Budget, projects selected for appropriations from the REF have traditionally been determined by the legislature outside the normal budget process. The Legislative Finance Division notes that the REF is generally treated as a "hands off" fund, one from which appropriations are made only with the endorsement of a finance committee chair or other high-ranking legislator.[26]

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

[22] Chapter 41, SLA 1985, Sections 4, 10, 12, 13, 15, 16, 17, and 18.

[23] By Sec. 2, Ch. 96, SLA 1987, $50 million in GF was repealed and reappropriated to the REF for Bradley Lake. Ch. 172, SLA 1988 appropriated an additional $7 million from the REF to Bradley Lake. In 1993, $11.5 million from the Bradley Lake project lapsed back into the REF (Sec. 7[1]-[7], Ch. 19, SLA 1993). The appropriation for the intertie reserve is contained in Sec. 159, Ch. 208, SLA 1990.

[24] Sec. 4(a) and Sec. 5(a), Ch. 19, SLA 1993. In 2000, the funds for these two projects lapsed back into the REF. The utilities originally involved in the Sutton/Glennallen intertie project withdrew and the project was cancelled. The Swan Lake/Tyee Lake intertie is being constructed by the utilities that bought the Four Dam Pool as part of the purchase agreement. Sara Fisher-Goad and Valorie Walker, AEA.

[25] Although the initial intent of the REF was to fund energy programs in the railbelt, during the early 1990s it was also used to fund a variety of capital projects across the state. As you will see in Table 2, lawmakers appropriated almost $85 million from the REF for various capital projects in 1990 and 1991, including funds for the University of Alaska ($39.5 million), the McLaughlin Youth Center ($2.5 million), and a congregate housing facility for the City of Kenai ($3.3 million).

[26] "The Alaska Railbelt Energy Fund," Legislative Research Services Report 05.041, April 5, 2005, p. 3.

Table 1: Chronological History of Major Energy Appropriations, 1976-2009 (in thousands)		
Year	**Comments**	**Amount**
1976	The first major appropriations for energy projects began in 1976, with an appropriation to the water resources revolving loan fund for energy projects.	$2,500.0
1976-1982	Initial appropriations for loans and grants for **major dam projects** (Green Lake, Swan Lake, Terror Lake, Tyee Lake), including the purchase of Solomon Gulch. (Loans were reappropriated as grants in 1982).	$185,260.0
1979-1985	Appropriations for **Susitna** Hydroelectric Project.	$423,500.0
1980-1986	Appropriations for **Bradley Lake** Hydroelectric Project (includes $165 million in GO bonds). $57 million is from the REF ($50 million of this was a funding source change from GF to REF). This project came online in 1991.	$328,000.0
1980-1984	Grants for Alaska Intertie (formerly known as "Anchorage/Fairbanks Intertie").	$124,000.0
1986	**Railbelt Energy Fund** (REF) created **Capitalization of REF.** Susitna appropriation made in 1985 repealed and reappropriated to the General Fund and then to the REF. Reappropriated unexpended, unobligated, and unencumbered prior year appropriations for Susitna to the REF.	$289,500.0
1993	Ch. 18, SLA 1993 authorized AIDEA to issue GO bonds up to $185 million for selected energy projects ($60 million for Northern Intertie, $60 million for Southern Intertie, $40 million for Southeast Intertie, $25 million for Sutton/Glennallen Intertie). No bonds were issued.	$185,000.0
1995	Northern Intertie	$65,000.0
2002	Southern, and Southeast interties, and Alaska intertie upgrade (the Southern intertie was discontinued after participating utilities withdrew from the project).[1] Sale of the Four Dam Pool	$67,000.0
2003	Eklutna project transmission line upgrade; Upgrade and Extend the Anchorage to Fairbanks power transmission intertie to the Teeland substation; Grant to Matanuska Electric Association for Lucas substation and Pioneer line extensions.	$45,600.0
2007	Alaska Energy Authority - Alcan Intertie	$3,200.0
2008	Four Dam Pool Power Agency for the Swan Lake to Lake Tyee Intertie	$46,200.0
2009	Susitna Hydro Study and Railbelt Energy Plan	$2,500.0
2009	Fire Island Wind Farm Transmission Lines	$25,000.0

Table 1: Chronological History of Major Energy Appropriations, 1976-2009 (in thousands)		
Year	**Comments**	**Amount**
	Major Railbelt Projects	
	Susitna	$136,500.0
	Bradley Lake ($163 million in grants, $165 million in GO bonds)	$328,000.0
	Alaska Intertie	$144,300.0
	Northern Intertie	$65,000.0
	Southern Intertie (project cancelled--funds remain with AEA until repealed or reappropriated)	$47,300.0
	Transmission line upgrades and extentions	$88,925.0
	Total	$810,025.0
	Southern Intertie interest returned to the General Fund	$28,500.0
	Major "Off-Railbelt" Projects	
	Four-dam Pool (Solomon Gulch [Valdez/Glennallen], Swan Lake [Ketchikan], Terror Lake [Kodiak], Tyee Lake [Wrangell/Petersburg])	$545,000.0
	Power Cost Equalization--FY1981-2009	$505,200.0
	Larsen Bay	
	Total	$1,050,200.0
	PCE Endowment Fund[2]	$192,200.0

Notes: 1. "Southern" intertie: Kenai to Anchorage (project cancelled, participating utilities withdrew). "Northern" intertie: Healy to Fairbanks (owned by the Golden Valley Electric Association). "Alaska" intertie: Willow to Healy. "Southeast" intertie: Swan Lake to Tyee Lake (being constructed by the Four Dam Pool Power Agency as a condition of the sale of the Four Dam Pool).
2. The fund is not included in the total of "off-railbelt" projects because the PCE Endowment funds the PCE & Rural Electric Capitalization fund, from which appropriations are made to the PCE program. Including it would duplicate the amounts.

Sources: Alaska Energy Authority, Alaska Railroad Corporation, Legislative Finance Division, Office of Management and Budget, operating budgets, *Session Laws of Alaska*.

Table 2: Power Cost Equalization Program Expenditures, 1980 - Present			
Fiscal Year	**Amount**	**Fiscal Year**	**Amount**
1981	$2,658.6	1996	$19,329.7
1982	$9,300.0	1997	$17,967.9
1983	$8,300.0	1998	$18,664.2
1984	$8,298.2	1999	$18,050.0
1985	$14,128.2	2000	$14,562.2
1986	$17,532.0	2001	$16,091.6
1987	$13,787.5	2002	$15,619.6
1988	$15,000.0	2003	$15,700.0
1989	$16,823.6	2004	$15,700.0
1990	$19,715.5	2005	$15,634.0
1991	$16,747.1	2006	$21,885.5
1992	$15,029.6	2007	$25,459.0
1993	$17,533.0	2008	$28,400.0
1994	$17,679.9	2009	$51,000.0
1995	$18,620.5	*2010*	*$32,000.0*
	Total PCE 1981-2010		***$537,217.4***

Notes: Amounts for FY1981-2008 are actual expenditures; FY2009 are Mangement Plan figures; FY2010 are Governor's Proposed figures.

Amounts for FY1981-1984 include administrative costs; FY1985-2010 are grants only.

Sources: Legislative Finance Division, Historical Budgets online and Operating Budget Books ("shortforms"); Office of Management and Budget, FY2007, FY2008, FY2009, and FY2010 Governor's Operating Budget, *http://omb.alaska.gov/.*

Table 3: APPROPRIATIONS TO THE RAILBELT ENERGY FUND, 1986 - Present

Ch.	SLA	Sec.	Comments	Amount
29	1986	1	Create the Railbelt Energy Fund (REF).	--
41	1986	4	From the General Fund[1]	$200,000,000
		10, 12, 13, 15, 16, 17, 18	Reappropriations of unexpended, unobligated, and unencumbered prior year appropriations for the Susitna Hydroelectric Project to capitalize the Railbelt Energy Fund.	$89,481,023
117	1989	217(b)	Appropriation from GF to the REF for the Healy cogeneration project (contingent upon sec. 217(a) which appropriated $30 million from the REF to the GF).	$30,000,000
117	1989	219(b)	Appropriation from the GF to the REF for the Winter Sports Training Facilities reserve (contingent upon 219(a) which appropriated $5 million from the REF to the GF).	$5,000,000
19	1993	3	Balance of Railbelt intertie reserve.	$30,882,941
19	1993	4(b)	Authorization to receive repayments of principal & interest on loans from the Power Project Fund for the Sutton-Glennallen intertie project.[2]	--
19	1993	5(b)	Authorization to receive repayments of principal & interest on loans from the Power Project Fund for the Swan Lake-Tyee Lake intertie project.[2]	--
19	1993	7(1)-(7)	Various reappropriations from the Bradley Lake Hydroelectric project.	$11,500,000
19	1993	8(a)	From the General Fund.	$13,200,000
19	1993	8(b)	From the General Fund.	$66,900,000
60	2000	3	Authorization to receive interest earnings (as of 03/31/05)[3]	$21,293,354
			TOTAL APPROPRIATIONS INTO THE FUND	**$468,257,318**

Notes: 1. Sections 1 and 2 of Ch. 41 repealed prior appropriations for the Susitna Hydroelectric Project ($200 million) and the Bradley Lake Hydroelectric Project ($50 million) and returned them to the General Fund. Section 4 then reappropriated the $200 million from the Susitna project from the General Fund to the REF. Sections 10, 12, 13, and 15-18 all repealed prior Susitna appropriations and reappropriated them to the REF. 2. Sections 4(a) and 5(a) of Ch. 19, SLA 1993 appropriated $55 million from the REF to the Power Project Fund for loans for these projects. 3. Approximate earnings and interest income as of March 31, 2005. Includes total FY2005 year-to-date interest earned of $1,112,997, according to the Division of Finance.

Sources: Legislative Finance Division; Division of Finance, Department of Administration; *Session Laws and Resolves of Alaska.*

Table 4: APPROPRIATIONS FROM THE RAILBELT ENERGY FUND, 1987 - Present				
Fiscal Year	Session Law	Comments	Appropriated To[1]	Amount
1987	Sec. 1, Ch. 42, SLA 1986	Preparing a review and evaluation of Railbelt electric power alternatives.	APA	$2,500,000
1988	Sec. 2, Ch. 96, SLA 1987	Amending the funding source for the Bradley Lake Hydroelectric Project from General Fund (GF) to Railbelt Energy Fund (REF).	APA	$50,000,000
1989	Sec. 6, Ch. 172, SLA 1988	Bradley Lake Hydroelectric Project	APA	$7,000,000
1989	Sec. 293, Ch. 173, SLA 1988	Authorization to use REF monies for any GF shortfall in FY89, only in the amount needed to pay outstanding obligations and not to exceed $50 million. Such a transfer was not necessary.		$0
1990	Sec. 217(a), Ch. 117, SLA 1989	Appropriation to the General Fund (contingent upon 217(b), which appropriated GF to the REF for the Healy cogeneration project).		$30,000,000
1990	Sec. 219(a), Ch. 117, SLA 1989	Appropriation to the General Fund (contingent upon 219(b), which appropriated of GF to REF for the Winter Sports Training Facilities reserve).		$5,000,000
1991	Sec. 139, Ch. 208, SLA 1990	Various capital appropriations as Grants to Municipalities (AS 37.05.315), Grants to Unincorporated Communities (AS 37.05.317), and to state agencies		$18,732,942
1991	Sec. 139, Ch. 208, SLA 1990	Various capital projects		$6,085,500
1991	Sec. 141, Ch. 208, SLA 1990	McLaughlin Youth Center Cottage/School Replacement	H&SS	$2,500,000
1991	Sec. 143, Ch. 208, SLA 1990	Healy cogeneration project	AIDEA	$25,000,000
1991	Sec. 144, Ch. 208, SLA 1990	City of Seward for transmission line from Lawing to Fort Raymond substation	DOA	$9,500,000
1991	Sec. 145, Ch. 208, SLA 1990	Purchase of locomotives, rolling stock, and associated equipment costs (for development of Wishbone Hill coal project)	ARC	$9,000,000
1991	Sec. 146, Ch. 208, SLA 1990	Grant to the Municipality of Anchorage for the Ship Creek development project	DOA	$2,500,000

Table 4: APPROPRIATIONS FROM THE RAILBELT ENERGY FUND, 1987 - Present				
Fiscal Year	Session Law	Comments	Appropriated To[1]	Amount
1991	Sec. 147(a), Ch. 208, SLA 1990	Weatherization, energy conservation, and energy efficient residential housing incentive program	DCRA	$1,600,000
1991	Sec. 147(b), Ch. 208, SLA 1990	Weatherization and energy conservation federal match	DCRA	$600,000
1991	Sec. 148, Ch. 208, SLA 1990	Alaska home craftsman program	DCRA	$600,000
1991	Sec. 149, Ch. 208, SLA 1990	Alaska energy efficiency and retrofit program	DCRA	$2,200,000
1991	Sec. 150, Ch. 208, SLA 1990	Grant to the Mat-Su Borough for job corps facility construction	DOA	$1,700,000
1991	Sec. 151, Ch. 208, SLA 1990	Phase I design and construction of UAF natural sciences facility	UAF	$23,000,000
1991	Sec. 152, Ch. 208, SLA 1990	Phase I design and construction of UAA classroom building and land purchase	UAA	$16,500,000
1991	Sec. 153, Ch. 208, SLA 1990	Grant to the Municipality of Anchorage to reconstruct and upgrade the Alyeska Utilities water and sewer system	DOA	$2,300,000
1991	Sec. 154, Ch. 208, SLA 1990	Anchorage Economic Development Corporation	DCED	$3,800,000
1991	Sec. 155, Ch. 208, SLA 1990	Kenai Peninsula Borough solid waste disposal facility	DOA	$1,100,000
1991	Sec. 156, Ch. 208, SLA 1990	Fire training facility on the Kenai Peninsula	UAA	$1,000,000
1991	Sec. 157, Ch. 208, SLA 1990	City of Kenai for construction of a congregate housing facility	DOA	$3,300,000
1991	Sec. 158, Ch. 208, SLA 1990	Anchorage Neighborhood Housing Services for neighborhood revitalization	DOA	$1,700,000
1991	Sec. 159, Ch. 208, SLA 1990	To the General Fund, Railbelt intertie reserve, for the Soldotna-Anchorage and Healy-Fairbanks interties		$100,000,000
1994	Sec. 4(a), Ch. 19, SLA 1993	To the Power Project Fund for a loan for the Sutton to Glennallen power transmission intertie.	PPF[2]	$35,000,000

Table 4: APPROPRIATIONS FROM THE RAILBELT ENERGY FUND, 1987 - Present				
Fiscal Year	Session Law	Comments	Appropriated To[1]	Amount
1994	Sec. 5(a), Ch. 19, SLA 1993	To the Power Project Fund for a loan for the Swan Lake to Tyee Lake power transmission intertie.	PPF[2]	$20,000,000
1994	Sec. 8(c), Ch. 19, SLA 1993	To Power Cost Equalization and Rural Electric Capitalization Fund to capitalize the fund.	PCE/RECF	$66,900,000
2001	Sec. 1(a), Ch. 75, SLA 2000	Appropriations made in secs. 4 and 5, Ch. 19, SLA 1993, lapse into the Railbelt Energy Fund.		($55,000,000)
2001	Sec. 24(a), Ch. 135, SLA 2000	Reappropriates unspent balance of Sec. 145(a), Ch. 208, SLA 1990, as amended by sec. 55, Ch. 100, SLA 1997 (Alaska Railroad Corporation--$9,000,000), as follows: (1) one-half for a grant to the Mat-Su Borough for the Point MacKenzie port development and associated rail line improvements within the borough; (2) one-half to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment, and rail line improvements to facilitate the development of coal deposits in the Matanuska-Susitna Borough.		$0
2001	Sec. 24(b), Ch. 135, SLA 2000	Reappropriates unspent balance of Sec. 145(b), Ch. 208, SLA 1990, added by Sec. 56, Ch. 100, SLA 1997 as amended by Sec. 40(b), Ch. 2, FSSLA 1999 (Alaska Railroad Corporation), as follows: (1) one-half for a grant to the Mat-Su Borough for the Point MacKenzie port development and associated rail line improvements within the borough; (2) one-half to the Alaska Railroad Corporation for the purchase of locomotives, rolling stock, and associated equipment, and rail line improvements to facilitate the development of coal deposits in the Matanuska-Susitna Borough.		$0
2001	Sec. 24(c), Ch. 135, SLA 2000	Appropriates the interest earned on 24(a)(2) and 24(b)(2) to the General Fund on July 1 of each fiscal year.		$0

Table 4: APPROPRIATIONS FROM THE RAILBELT ENERGY FUND, 1987 - Present				
Fiscal Year	Session Law	Comments	Appropriated To[1]	Amount
2003	Sec. 78(a), Ch. 1, SSSLA 2002	Grants to Homer Electric Association (replacement power supply for Seldovia--$2 million), Golden Valley Electric Association (Parks Highway line extension--$872.0), and Matanuska Electric Association (Lucas substation and Pioneer line extensions--$500.0)	DCED	$3,372,000
2003	Sec. 78(b), Ch. 1, SSSLA 2002	Grant to the Municipality of Anchorage for the Eklutna project transmission line	DCED	$19,300,000
2003	Sec. 78(c), Ch. 1, SSSLA 2002	Upgrade and extend the Anchorage-Fairbanks power transmission intertie to the Teeland substation.	DCED/AEA	$20,300,000
2006	Sec. 42(f), Ch. 3, FSSLA 2005	The unexpended and unobligated balance of the appropriation made in sec. 24(a)(1), ch. 135, SLA 2000 (Matanuska-Susitna Borough, Point MacKenzie port development and associated rail line improvements - orginally $4,500,000) is reappropriated to the Department of Commerce, Community, and Economic development or payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for Point MacKenzie port development and associated rail line improvements.	DCCED	$0
2007	Sec. 62(i), Ch. 82, SLA 2006	Any balance remaining in the Railbelt energy fund (AS 37.05.520) and interest earnings of the fund, after the appropriations made in (a) - (h) of this section and not to exceed $800,000, is appropriated to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, for the study of the Railbelt Electrical Grid Authority, an independent system operator, to manage and dispatch electric power on the Railbelt grid. Governor Murkowski vetoed Sections (a) - (h).	DCCED	$0
2009	Sec. 10, Ch. 29, SLA 2008	Purchase of Back-up generators for Seward (AS37.05.315)	DCCED	$2,000,000
2009	Sec. 13, Ch. 29, SLA 2008	Susitna Hydro Study and Railbelt Energy Plan	DCCED	$2,500,000
2009	Sec. 13, Ch. 29, SLA 2008	Fire Island Wind Farm Transmission Lines	DCCED	$25,000,000

Table 4: APPROPRIATIONS FROM THE RAILBELT ENERGY FUND, 1987 - Present

Fiscal Year	Session Law	Comments	Appropriated To[1]	Amount
2009	Sec. 69, Ch. 29, SLA 2008	The unexpended and unobligated balance, not to exceed $10,000,000, of the appropriation made in sec. 78(c), ch. 1, SSSLA 2002 (Alaska Energy Authority, upgrade and extend the Anchorage to Fairbanks power transmission intertie to Teeland substation - $20,300,000) is reappropriated to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, for Alaska intertie static VAR compensators and tower upgrade and repair.	DCCED	$0
		Total Appropriations from the Fund[3]		**$466,590,442**
		Fund Balance		***$1,666,876***

Notes: 1. The legend for these abbreviations is as follows: AEA, Alaska Energy Authority; AIDEA, Alaska Industrial Development Authority; APA, Alaska Power Authority; ARC, Alaska Railroad Corporation; DCED, Department of Commerce & Economic Development; DCRA, Department of Community & Regional Affairs; DOA, Department of Administration; PCE/RECF, Power Cost Equalization and Rural Electric Capitalization Fund; PPF, Power Project Fund; UAA, University of Alaska Anchorage; UAF, University of Alaska Fairbanks.
2. These appropriations were made to the Power Project Fund, from which loans were made for the intertie projects (Section 4, Chapter 1, SLA 1993).
3. This amount does not include the "CBR sweep"--general fund subaccounts (one of which is the Railbelt Energy Fund) are automatically "swept" into the Constitutional Budget Reserve Fund (CBRF) to meet the requirements of Article IX, Sec. 17(d) of the Alaska Constitution, which requires that withdrawals from the CBRF be repaid. The FY2004 sweep was transferred back to the subaccounts from which it came by Section 61(d) of Chapter 159, SLA 2004.

Sources: Legislative Finance Division; Division of Finance, Department of Administration; *Session Laws and Resolves of Alaska.*

POWER COST EQUALIZATION

Report and Recommendations

Of the

Governor's Blue Ribbon Committee

February 1, 1999

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INTRODUCTION

The Power Cost Equalization program has paid a portion of the electrical bills of rural consumers since 1985. During this period, the PCE budget has averaged about $17.5 million per year. In 1993, the State legislature established a Power Cost Equalization and Rural Electric Capitalization Fund (the "PCE Fund") with an appropriation of $66.9 million, and also enacted the following policy statement:

> Ch. 18, SLA 1993, Sec. 1. "FINDINGS AND INTENT. (a) The legislature finds that adequate, reliable, electric service at affordable rates is a necessary ingredient of a modern society and a prosperous developing economy. The legislature further finds at the current stage of social and economic development in the state, direct participation by the state is necessary to assist in the development of a regional electric transmission infrastructure and to assist in holding rates in high cost service areas to affordable levels.
>
> (b) The legislature recognizes the high cost of electric power in rural Alaska and intends that funding for power cost equalization from the general fund and from the power cost equalization and rural electric capitalization fund remain at a minimum of $17,000,000 annually through the year 2013. The legislature further intends that this long-term commitment to the power cost equalization program will permit and encourage the electric utility industry and its lenders to develop the plans, make the investments, and take other actions that are necessary or prudent to meet the utility needs of residents in rural Alaska."

Over the last several years, PCE outlays have been drawn exclusively from the PCE Fund, which will be nearly exhausted by the end of FY99. For PCE to continue beyond FY99, a renewed commitment will be needed by the 1999 legislature and by the Governor.

In anticipation of this pivotal legislative session, the Governor convened a Blue Ribbon Committee to consider and recommend an overall policy on the future of PCE as well as specific proposals to implement that policy. The Committee membership was designed to reflect a variety of institutional perspectives by including members from the legislature, the public utilities commission, the Anchorage chamber of commerce, rural consumers, rural utilities, and the State's industrial development agency. The Committee membership (in alphabetical order) is as follows:

Blue Ribbon Committee Membership

The Honorable Al Adams
Alaska State Senator

Mr. Robert Beans, Chairman
Alaska Village Electric Cooperative, Inc.

Mr. Sam Cotten, Chairman
Alaska Public Utilities Commission

Mr. Joe Griffith, Chairman
Anchorage Chamber of Commerce

Ms. Nancy James
Consumer representative from Ft. Yukon

Mr. Robert Martin Jr., (former) General Manager
Tlingit & Haida Regional Electrical Authority

The Honorable Drue Pearce
Alaska State Senator

Mr. Walter Sapp, representative
Four Dam Pool Project Management Committee

Mr. Randy Simmons, Executive Director
Alaska Industrial Development and Export Authority

Mr. Dewey Skan, President
Rural Alaska Community Action Program, Inc.

Mr. Eric Yould, Executive Director
Alaska Rural Electric Cooperative Association, Inc.

Beginning in January 1998, the Committee reviewed the history, structure, and impact of PCE, the organizational and cost structure of rural electric utilities, and proposals that have been made to reduce rural power costs. The Committee then returned to the task of developing policy and program recommendations with respect to the PCE program.

SUMMARY OF RECOMMENDATIONS

The Committee has adopted the following recommendations:

1. PCE or an alternative rate support program for high cost service areas should be extended into the future.

2. Such rate support should be available only for:

   A. A "lifeline" supply of electric power for residential consumers. A lifeline supply is defined as one-half of the statewide average consumption per household each month. While this amount varies over the course of a year, the average monthly lifeline supply would be approximately 350 kWh.

   B. Electric power for community facilities that are directly related to public health and safety.

3. A stable source of funding for PCE or an alternative rate support program should be established with the following major components:

   A. 60% of the annual debt service paid to the State by the Four Dam Pool – this would include the 40% now allocated to PCE plus the 20% now allocated to the Power Project Fund loan program.

   B. $20 million appropriated by the 1993 legislature as a loan for the Swan/Tyee intertie, based on a proposal from Ketchikan Public Utilities to forego the loan in exchange for State bonding of Swan/Tyee intertie costs.

   C. Proceeds of a universal service fund to be created from a surcharge on all electricity sold statewide by public utilities.

4. A statewide organization or agency should be designated to establish standards for rural electric utilities with respect to financial management, physical plant, and system operations. No rural electric utility should continue to receive rate support or capital project grants from the State unless it is in compliance with these standards, is making clear and continuing progress in attaining compliance, or has entered into an agreement with an existing utility or utility organization whose operation is consistent with the standards.

All Committee members recognize the challenge in gaining a consensus on future program funding as well as the amount of future benefits. For this reason, several options are presented in this report for consideration by the Governor and the legislature:

OPTION 1: Universal service fund.

1A. A lifeline supply of power is made available at 150% of the statewide average residential rate. (The 150% level is estimated at 17.0 cents per kWh.)

1B. Same as 1A except the lifeline rate is set at 100% of the statewide average residential rate. (The 100% level is estimated at 11.3 cents per kWh.)

OPTION 2: General Fund endowment / extend modified PCE through 2013.

OPTION 3: Declining general fund appropriations / extend modified PCE through 2010.

OPTION 4: Further explore the potential for federal funding of PCE or an alternative rate support program.

The potential funding options were debated at length by the Committee and ultimately put to a vote. Included in Attachment 1 are the questions included on the Committee ballot and the ballot results. Key results are as follows:

- A majority of Committee members recommend the creation of a universal service fund to provide limited rate relief in high cost service areas.
- Of the 7 members favoring a universal service fund, a majority would set the lifeline rate at 150% of the statewide average residential rate.
- Each of the options listed above is believed by a majority of the Committee members to be worthy of further consideration by the Governor and legislature.

DISCUSSION OF RECOMMENDATIONS

Recommendation #1 – PCE or an alternative rate support program for high cost service areas should be extended into the future.

A. Economic growth and development in rural Alaska.

For many years and in many different ways, both the State and federal government have consistently carried out a policy of helping to build up and improve the basic infrastructure of Alaska's rural villages. Examples of this commitment include continuing investments in local schools, water and sanitation facilities, housing, airports, harbors, roads, health care, bulk fuel storage, communications, and a host of other public facilities. These financial commitments make sense only on the belief that rural communities will be economically viable and self-sustaining in the future. This has been the basis of State and federal policy with respect to rural Alaska for many years. To abandon PCE at this stage of development in rural Alaska would be contrary to the long-standing State and federal policy of helping rural Alaska during its difficult transition to a modern, self-sustaining economy.

B. Affordable power is a necessity.

The Committee believes that electric power is a necessity which should be available and reasonably affordable to everyone living in an established community. For example, new housing units financed by the federal Department of Housing and Urban Development (HUD), which are increasingly common throughout rural Alaska, are essentially uninhabitable without electric power to keep pipes from freezing, to run fans and pumps for space heat, and to operate other housing essentials such as refrigerators, freezers, and lights. In addition, new public infrastructure projects financed by State and federal governments are equally dependent on electric power – pumps for water and sewer facilities, pumps for fuel transfers and dispensing, or heating and lighting systems for local schools. Very little of this makes sense if electric power is not available and affordable throughout the expected life of these facilities.

But in most of rural Alaska, electricity is not reasonably affordable because the cost of service is high while average cash incomes are low. There are three approaches the State can take to help make rural power more affordable:

1. Increase personal income through economic development or increased transfer payments. The Committee assumes, however, that a major advance in economic development on a broad scale is not something that the State can quickly bring about and that significant increases in transfer payments are not likely to occur.

2. Reduce rates directly through PCE or an alternative rate support program.

3. Reduce the actual cost of generating and distributing power. Among the possible cost reduction strategies are the following:

   a. Utility mergers to create economies of scale.

   b. Consolidated fuel purchasing to reduce fuel costs.

   c. Increase the efficiency of diesel generators.

   d. Upgrade distribution systems to reduce line losses.

   e. Replace diesel with alternative energy where warranted.

   f. End use conservation.

   A working paper prepared for the Panel entitled "Options for Reducing Rural Power Costs" is included as Attachment 2. A number of these options continue to hold promise for long-term reduction in power costs, and the Committee believes that aggressive efforts to pursue them should accompany any extension of a rate support program.

   The Committee is also aware, however, that none of these cost reduction strategies are new and that all have practical limitations. For example:

   - Utility mergers. The data suggest that electricity rates for a single-village utility are likely to go up initially rather than down if it merges with a multi-village system, despite the benefit of administrative economies of scale. This is because the multi-village utility is more likely to budget for such fundamentals as plant depreciation, preventive maintenance, and insurance. In addition, the multi-village utility is more likely to finance needed investments in physical plant, and to recover the associated debt service in its rates, while the single-village utility is more likely to obtain

government grants when equipment replacement can no longer be postponed.

- Consolidated fuel purchasing. If this were to reduce delivered fuel costs for a given utility by 25 cents per gallon – a generous assumption on fuel cost savings – and if the diesel generating efficiency for the utility were 12 kWh per gallon – roughly the average for all PCE utilities – then the reduction in the cost of power would be about 2 cents per kWh. While certainly valuable, savings of this magnitude would have a relatively small impact on the power cost differential between urban and rural Alaska.

- Alternative energy. While established alternatives such as small hydro should be pursued where favorable prospects exist, and while developing technologies such as wind and fuel cells should be further tested and improved, there is little evidence that these alternatives will reduce power costs in the near future on an unsubsidized basis. In those limited cases where alternative energy projects can result in lower rates, the reason can most often be traced to the use of government grants or other favorable project financing.

The Committee concludes that there is no utility cost reduction program that can begin to provide the near-term impact that PCE has on utility rates. For power to be widely affordable in rural Alaska within the foreseeable future, there is no practical alternative to direct rate reduction through PCE or an alternative rate support program.

C. Eliminating PCE would create financial hardship.

There is an additional reason for the Committee's basic recommendation eliminating PCE would create financial hardship for many rural families. If further budget reductions are needed to match sustainable revenues, the State should avoid targeting the population that, overall, is least able to afford it. At the present time, the average PCE benefit per residential customer is about $550 per year.

The Committee retained Prof. Scott Goldsmith of ISER to examine the likely impact on rural consumers, rural utilities, and village economies if PCE were eliminated and no other program were established to take its place. The Executive Summary of his report, "The Economic Significance of the Power Cost Equalization Program," is included in Attachment 3, and the full report is available under separate cover. Key findings from the report are as follows:

- All but 8 of the 190 communities that receive PCE have populations below 1,000. The median population size is 264.

- For the median (or "typical") community, average household income is $35,203 compared with $65,054 for non-PCE communities.

- The cost of electricity in the typical PCE community is $.42 per kWh compared with about $.10 per kWh in Anchorage. After accounting for PCE assistance, residential customers in PCE communities still pay about $.20 per kWh – roughly twice the Anchorage cost.

- Average residential consumption in the typical PCE community is 3,921 kWh per year, or 51% of the Anchorage average.

- Eliminating PCE would immediately result in higher electricity prices. Higher prices would cause a reduction in electricity usage. Lower usage would lead, in turn, to additional rate hikes as utilities try to cover fixed costs with a smaller sales base.

- For a representative village like Elim – population 281 – eliminating PCE would be expected to have the following impacts:

  i. The residential price of electricity would increase 190 percent – from $.19 to $.55.

  ii. Average residential consumption would fall by 38 percent – from 4,202 kWh per year to 2,608 kWh per year.

  iii. The average monthly residential bill would increase by 80% – from $66 to $119.

- The financial viability of rural electric utilities without PCE depends on how sensitive electricity sales are to price increases:

  i. If doubling the price led to a 20% decrease in consumption, most rural utilities are projected to survive although with much higher prices and lower sales.

  ii. If doubling the price led to a 30% decrease in consumption, utilities in half the communities now served by PCE are projected to become financially insolvent.

Recommendation #2 – Limit rate support to "lifeline" residential usage equal to one-half of the statewide average consumption per household each month, and to community facilities that are directly related to public health and safety.

The Committee recommends that future rate support be limited only to the most essential uses of electric power. The reasons for this are both philosophical and practical:

- Although electric power is a necessity that should be affordable in every established community, a key principle of economic efficiency and of utility regulation is that prices should vary in proportion to actual costs. Excessive rate support sends the wrong price signals to consumers and reinforces dependence on continuing subsidy.

  Limiting rate support to essential usage cuts a middle path between these two objectives: power is available at a lower price for necessities but is otherwise priced at its full cost. Because consumers will more often be faced with full cost power at the margin of use, incentives will be strengthened both for end-use conservation by consumers and for cost reduction by utility management.

- In view of the expected decline in oil revenues, it will be increasingly difficult to obtain rate support funding for discretionary electrical usage. It is the Committee's judgment that continued funding for PCE or an alternative rate support program will require that all such assistance be focused on the most basic power requirements in high cost service areas.

Implementing this recommendation would require the following changes to the existing PCE program:

	Estimated Annual Reduction In PCE Requirement
• Remove commercial customers from program eligibility.	$2.6 million
• Reduce the monthly cap for eligible usage from 700 kWh to one-half of the statewide average consumption per household each month.	$3.7 million
• Limit the definition of community facilities to those that are directly related to public health and safety.	$1.0 million
Total Estimated Reduction	$7.3 million

A. Remove commercial customers

PCE benefits are currently paid for residential customers, commercial customers, and community facilities that are owned and operated by local government. The Committee believes that residential customers and community facilities should have priority:

i. Residential customers are the core of the program, representing about 70% of all electrical consumption that is presently eligible for PCE assistance. Affordable power for lights, heating systems, and refrigeration in residential housing is the most basic need that the program addresses.

ii. When costs such as the electrical bill go up, most commercial customers can try to increase revenue by raising prices. However, residential customers in rural villages do not have a comparable method to raise household income. Local governments with no taxing authority have some options to raise revenue by adjusting prices and fees for local services, but still fall short of the revenue-raising capability of commercial entities.

iii. Because schools are typically not owned and operated by the local government, they are considered "commercial facilities" for purposes of the PCE program and account for about 10% of the PCE-eligible electrical consumption in the commercial category. Like all such institutions, rural schools are always facing budget limitations. But relative to other institutions in rural Alaska, schools operate with relatively large budgets and have greater capability than most to absorb an increase in electricity prices. Schools are not heavily dependent on continuation of PCE benefits since PCE now provides assistance for only the first 700 kWh per month, which is much less than schools typically consume. On average, school districts are presently entitled to approximately $100 per month in PCE benefits per community.

iv. For other commercial customers, FY97 statistics indicate an average PCE benefit of about $34 per month (or about $400 per year). The Committee does not minimize the significance of this benefit to many rural businesses but concludes that, overall, commercial customers can tolerate a cut-off of PCE benefits with less difficulty than either residential customers or local governments.

B. Reduce the monthly cap for residential customers from 700 kWh to one-half of the statewide average consumption per household each month. While this amount would vary each month, the average monthly limit over the course of a year would be approximately 350 kWh.

Program statistics indicate that residential customers received PCE assistance for an average of 340 kWh per month in FY96. This is about half of the average monthly residential consumption in the southern Railbelt region. The Committee believes that a major reduction in the monthly cap for PCE eligibility is a key measure to ensure that PCE benefits are paid only for a very basic level of usage.

Although it is difficult to define where "necessary" power consumption leaves off and "discretionary" begins, adopting this recommendation would clearly address any concern that PCE is subsidizing discretionary usage. The program would no longer purport to equalize power costs for residential consumers in urban and rural Alaska – it would focus on providing affordable power for a much lower level of consumption than is typical in Anchorage, Fairbanks, and Juneau.

Included in Attachment 4 is recent monthly data on residential electricity usage in southcentral Alaska. Based primarily on this data, the following estimates are provided on the monthly kWh limits that would initially define a lifeline supply of power under the Committee's proposal:

January	461 kWh
February	419
March	376
April	343
May	312
June	284
July	301
August	277
September	290
October	318
November	358
December	394

These limits average 344 kWh per month over the course of an entire year. The Committee's concept is intended to ensure that households have access to a "lifeline" supply of affordable power – i.e. enough to run essential lights, heating pumps, refrigeration, and other basic elements of household maintenance. Attachment 5 shows how 326 kWh could be used in a typical village home in an average month.

C. Limit community facilities to public health and safety.

Only those community facilities that are directly related to health and safety are proposed to remain eligible for rate subsidy, including water and sewer projects, health clinics, public safety office, street lights, and washeteria. Other community facilities such as community halls or recreation halls would no longer be eligible. This measure is expected to reduce rate support for community facilities by roughly 25% overall.

Recommendation #3 – Program funding from 60% of Four Dam Pool debt service, $20 million Swan-Tyee intertie loan, and enactment of universal service fund.

Rural electric utilities need financial stability before long-term planning and investment can succeed on a broad scale. Financial stability will depend, in turn, on a stable source of funding for an effective rate support program.

The Committee believes that continued reliance on State general fund appropriations is inconsistent with this need for long-term financial stability. As a result, the Committee's recommended option is based on alternative sources of revenue:

A. 60% of Annual Four Dam Pool Debt Service

The starting point is the revenue stream that has already been established for the PCE program. The 1993 legislature enacted a revenue allocation plan whereby the annual debt service paid to the State by the Four Dam Pool is used as follows:

- 40% for PCE.
- 40% for the "Southeast Energy Fund," the initial purpose of which is to help fund the Tyee-Swan intertie.
- 20% for the "Power Project Fund," a loan fund administered by the Division of Energy to help finance small power projects, bulk fuel storage facilities, and potable water supply.

In a typical year and for the remaining term of the existing power sales agreement, annual Four Dam Pool debt service is estimated at $11.0 - $11.5 million. Of this amount, the existing 40% allocation would supply roughly $4.4 million per year for PCE. Four Dam Pool debt service is scheduled to be paid to the State annually through the year 2030.

The Committee is aware of the vulnerability of these funds to the "self-help" provision of the Four Dam Pool power sales agreement. That provision allows the utilities to withhold debt service that would otherwise be due the State if the funds are needed to repair certain project deficiencies. It is presently expected that $1.6 million will be withheld by the utilities in FY2000 under this provision, and unknown additional amounts could be withheld after that.

Despite the uncertainty in any given year created by the "self-help" provision of the power sales agreement, Four Dam Pool debt service still provides an important long-term source of recurring energy revenues. The Committee proposes to re-allocate to PCE, or to an alternative rate support program, the 20% share of these revenues that now goes to the Power Project Fund loan program. This would add approximately $2.2 million per year to the revenue stream allocated to rate support, bringing the total annual contribution from Four Dam Pool debt service to about $6.6 million.

The Power Project Fund was converted to a revolving loan fund in 1993 legislation, with principal and interest payments from prior loans now coming back to the Fund where they augment the balance available for new loans. At present, these repayments are sufficient to meet the demand for new loans. While loan demand may increase in the future, the Committee believes that continuing rate support for essential needs serves a more critical purpose.

B. $20 Million Swan-Tyee Intertie Loan

The 40% allocation of Four Dam Pool debt service to the Southeast Energy Fund was enacted by the legislature in 1993 as part of an overall, statewide "package" on energy projects, policies, and funding, and must be understood in that context. The Committee does not recommend altering this percentage – however, the Committee does recommend that $20.0 million appropriated by the 1993 legislature as a 3% loan for the Swan/Tyee intertie be re-appropriated to the PCE Fund. The City of Ketchikan, which is the primary intertie proponent, has suggested that it is willing to forgo the $20.0 million loan in exchange for State bonding of Swan/Tyee intertie costs. Depending on the final project cost, most or all of the debt service associated with such bonds would be paid from the 40% share of Four Dam Pool debt service allocated to the Southeast Energy Fund.

C. Universal Service Fund

The Committee recommends that the legislature enact a universal service fund for electric utility service, similar to the universal service fund already authorized for telephone service. Funding would be provided by a monthly surcharge on all electric utility bills statewide. The proceeds of the fund would be used solely to ensure that a lifeline supply of power will be available in all established communities at a designated "lifeline rate." The Committee considered setting the lifeline rate at either 100% or 150% of the statewide average residential rate. At 100%, a lifeline supply of power would be made available at approximately 11.3 cents per kWh. At 150%, a lifeline supply would be made available at approximately 17.0 cents per kWh.

The financial implications of these alternatives are as follows:

- At 150%, the estimated cost of the lifeline program is $14.7 million per year. With 60% of Four Dam Pool debt service providing $6.6 million in program revenue during a typical year, the annual amount needed from the universal service fund is estimated at $8.1 million. Based on estimated electric utility sales of 5.0 billion kWh per year statewide, the required surcharge would be about 0.16 cents per kWh. This would cost an average residential customer in the Railbelt about $14 per year.

  The $14.7 million estimated program cost is comparable to the estimated cost of PCE given the program changes recommended above. The estimated PCE cost net of recommended changes is as follows:

$23,000.0	Preliminary estimate – full funding of PCE in FY 2000.
- 2,600.0	Remove commercial customers from eligibility.
- 3,700.0	Cut eligible kWh (residential) from 700 per month to one-half the monthly statewide average.
- 1,000.0	Limit community facilities to public health and safety.
$15,700.0	FY 2000 PCE cost following proposed amendments.

  Spreadsheets included in Attachment 6 show the estimated annual payments to utilities under three scenarios:

i. The "lifeline rate" program benchmarked at 17.0 cents per kWh (i.e. 150% of the statewide average residential rate).

ii. The "lifeline rate" program benchmarked at 11.3 cents per kWh (i.e. 100% of the statewide average residential rate).

iii. The existing PCE program.

At the 17.0 cent per kWh benchmark, the lifeline rate program would cost an estimated $14.7 million per year. A summary spreadsheet of Option 1A (the "150% option") is included in Attachment 7.

Only one additional community would be added to the program that is not currently eligible for PCE – Glennallen. A lower benchmark rate would add more communities.

If the lifeline rate were set at 100% of the statewide average (11.3 cents rather than 17.0 cents), the initial year program cost would be approximatley $22.9 million, $16.3 million of which would come from the universal service fund. This would require a surcharge of about 0.32 cents per kWh on all electric utility bills statewide, and would cost an average residential consumer in the Railbelt about $27 per year.

The "100% option" would add several communities to the list of those receiving benefits under the rate support program – communities which are not presently eligible for PCE but whose residential rates exceed 11.3 cents. One or more of these communities could be relatively large and might therefore be entitled to a relatively large payment for community facilities. (Presently, the maximum kWhs each month that can be claimed for community facilities is equal to the community population times 70.) If the 100% option were adopted, the Committee would recommend limiting the community population to 1,000 for purposes of this calculation based on the premise that the local tax base of larger communities can better support the operating costs of public facilities.

The concept of the 100% option more closely approximates the original concept of the PCE program, which was to "equalize" rural power costs with average rates in Anchorage, Fairbanks, and Juneau. In actual practice, however, PCE has not equalized rates – average rural rates for PCE-eligible usage are still about twice as

high as urban rates. A summary spreadsheet of Option 1B (the "100% option") is included in Attachment 8.

The Committee is aware of the natural resistance that will develop to any proposal that will increase rates. However, there are many precedents for cost pooling in which the benefits of lower cost enjoyed by some consumers are shared to a limited extent with those whose cost of service is higher. It occurs within any service territory that has standard rates and occurs on a larger scale within such structures as the Four Dam Pool. The Committee believes that the proposed level of surcharge, particularly at the 150% level, is an acceptable amount to ensure that a lifeline supply of power is available to all households and essential public facilities at a reasonably affordable price.

Recommendation #4 – A statewide organization or agency should be designated to establish rural utility operating standards. State support should be withheld from rural utilities unless the standards are met or are in the process of being met.

The Committee resolved that, in exchange for continuing public support of rural electricity lifeline rates, effective measures must be taken to ensure that small, single-village utilities are properly managed and that they become, as much as possible, self-reliant. This will require a combination of operating standards, assistance in meeting these standards, and enforcement of sanctions if utility management does not make satisfactory progress. An enforceable commitment to improved utility management must be part of any recommendation to continue providing public financial support.

DISCUSSION OF ALTERNATIVE OPTIONS

As noted at the outset, the Committee believes that other options to fund PCE or an alternative rate support program should also be brought to the attention of the Governor and legislature. These options are as follows:

OPTION 2

Option 2 would extend the modified PCE program through 2013, consistent with legislative intent enacted in 1993 to fund PCE for 20 years. In addition to the funding sources that all of the options have in common – the 60% share of Four Dam Pool debt service and the re-appropriation of the $20 million Swan/Tyee intertie loan – Option 2 requires a $75 million State general fund endowment in FY 2000 to carry the program the rest of the way. A summary spreadsheet showing Option 2 is included in Attachment 9.

To keep the size of the endowment from escalating higher, Option 2 also incorporates a $17 million annual cap on PCE expenditures:

- Since its inception, the cost of the PCE program has averaged about $17 million per year. Continuing the program at this level is therefore consistent with the State's historical level of program support.

- Although the statement of "Findings and Intent" enacted by the legislature in 1993 established $17 million per year as the minimum level of PCE funding, the Committee believes that a maximum level is what is needed as the basis for a general fund commitment. The population of rural Alaska continues to grow as does the full funding requirement for the PCE program as presently structured. The Committee believes that an open-ended funding commitment for PCE is unrealistic and unlikely to be obtained. The $17 million benchmark has already been accepted by the legislature as a reasonable level of program funding.

OPTION 3

Option 3 seeks to extend the same modified PCE program for a significant length of time without recourse to a large general fund endowment or enactment of a universal service fund. Its main features are as follows:

A. Annual PCE outlays are capped at $15 million per year.

B. General fund appropriations are required beginning with $15 million for FY 2000. These appropriations can then be reduced by $2.5 million per year, reaching zero in FY 2006. These appropriations are in addition to:

   - 60% of Four Dam Pool debt service, and

   - Re-appropriation of the $20 million Swan/Tyee intertie loan.

C. Given these funding sources and expenditure caps, PCE can be extended through the year 2010.

A summary spreadsheet showing Option 3 is included in Attachment 10.

OPTION 4

The Committee investigated the possibility of obtaining federal funds to support PCE or a similar program. Although the indications to date have not been promising, the Committee suggests that discussions continue in the event that some measure of federal contribution can be obtained.

Option 1A – Transitional Funding

The spreadsheet provided in Attachment 7 shows how the Committee would envision implementation of Option 1A (Universal Service Fund / 150% benchmark). Provision for transitional funding and other explanatory notes are as follows:

A. The Committee anticipates that more than one year will be required for approval and implementation of the recommended program. As a result, the spreadsheet projections allow for a two-year transitional period (FY 2000 and 2001) during which a modified PCE program would remain in place. The recommended lifeline program would begin in FY 2002.

B. The PCE modifications recommended earlier in this report would reduce the cost of PCE to $15.7 million in FY 2000, and to $16.0 million in FY 2001 assuming 2% annual growth.

C. The modified PCE program is funded during the two-year transition period by a combination of the following three revenue sources:

   i. The PCE Fund is presently expected to have a $3.2 million balance to carry forward into FY 2000.

   ii. 60% of Four Dam Pool debt service revenues are allocated to PCE starting in FY 2000.

   iii. The $20 million Swan-Tyee loan could be re-appropriated to PCE if other elements of Swan-Tyee intertie financing are resolved.

ATTACHMENT 1

COMMITTEE BALLOT AND BALLOT RESULTS

POWER COST EQUALIZATION
BLUE RIBBON COMMITTEE
BALLOT RESULTS

		Include in Committee Report							Designate As Best Option					
		Universal Service Fund				GF	Declining GF	Further Explore	Universal Service Fund			GF	Declining GF	Further Explore
		YES	150 & 100	150 only	100 only	Endowment	Approp.	Fed Funds	YES	150	100	Endowment	Approp.	Fed Funds
(see note 1)	Senator Adams	X	X			X		X	X		X			
(see note 2)	Robert Beans	X	X			X		X						
	Sam Cotten	X	X				X		X	X				
	Joe Griffith	X	X			X	X	X	X		X			
	Nancy James	X	X			X	X	X	X	X				
	Robert Martin	X	X			X	X	X	X	X				
(see note 3)	Senator Pearce	X		X				X						
	Walter Sapp					X	X	X				X		
	Randy Simmons	X		X			X	X	X	X				
	Dewey Skan	X			X	X		X	X		X			
	Eric Yould					X	X	X					X	
	TOTALS	9	6	2	1	8	7	10	7	4	3	1	1	

NOTES -- The following messages were added by Committee members to their ballots:

1. Senator Adams notes that, in his view, community centers and city offices should not be excluded from the definition of "community facilities" under a revised PCE program.

2. Robert Beans does not designate a single "best option," but suggests that a combination of options may turn out to be best.

3. Senator Pearce indicates that the Universal Service Fund benchmarked at 150% of the statewide average residential rate is an option worth considering but only for residential service, not for community facilities.

POWER COST EQUALIZATION
BLUE RIBBON COMMITTEE

c/o Division of Energy
Phone: 269-4630
Fax: 269-4645

January 21, 1999

The Honorable Al Adams
Alaska State Senator
State Capitol Building, Room 417
Juneau, AK 99801-1182

DELIVERY BY FAX ONLY

Subject: Ballot on Options and Recommendations
Blue Ribbon Committee on Power Cost Equalization

Dear Senator Adams:

The PCE Blue Ribbon Committee met on January 15 to consider and vote on the final set of options and recommendations to be presented to the Governor. A number of these recommendations were unanimously approved by the members in attendance, specifically:

1. PCE or an alternative rate support program for high cost service areas should be extended into the future.

2. Such rate support should be available only for:

   A. A "lifeline" supply of electric power for residential consumers – a lifeline supply is defined as one-half of the statewide average consumption per household each month; and

   B. Electric power for community facilities that are directly related to public health and safety.

3. A stable source of funding for the program should include among its components:

   A. 60% of the annual debt service paid to the State by the Four Dam Pool – this would include the 40% now allocated to PCE plus the 20% now allocated to the Power Project Fund loan program.

   B. $20 million appropriated by the 1993 legislature as a loan for the Swan/Tyee intertie, based on a proposal from Ketchikan Public Utilities to forego the loan in exchange for State bonding of Swan/Tyee intertie costs.

4. A statewide organization or agency should be designated to establish standards for rural electric utilities with respect to financial management, physical plant, and system operations. No rural electric utility should continue to receive rate support or capital project grants from the State unless it is in compliance with these standards, is making clear and continuing progress in attaining compliance, or has entered into an agreement with an existing utility or utility organization whose operation is consistent with the standards.

Since four of the eleven Committee members were absent from the meeting, the voting was inconclusive with regard to broader PCE options on which there is significant disagreement. For this reason, the Committee decided to solicit the votes of all members by means of the enclosed ballot. There are two separate issues that remain to be decided:

1. Of the options listed on the ballot, which do you believe should be included in the Committee's report as worthy of consideration by the Governor and legislature? You may vote for all of the options if you wish, or any number of them.

   Any option receiving 6 or more votes in response to Question 1 will be included in the Committee's report.

2. If you believe that one of these options should be recommended by the Committee as the single best option to pursue, which one do you support?

   A single option receiving 6 or more votes in response to Question 2 will be designated as the Committee's recommended option.

All of the options on the ballot are summarized in the attachment to this letter and are further discussed in the 12/31/98 draft report circulated to Committee members earlier this month. Please call me at 276-6222 if you would like further explanation of any of these options before casting your vote.

Since we are up against the start of the legislative session, please complete and sign your ballot as soon as possible. Your completed ballot should be faxed to Irene Tomory at the Department of Community and Regional Affairs – fax # 269-4645. The Department will ensure that the ballots are properly counted and filed and will notify all members of the results.

Sincerely,

Sam Cotten, Chairman
Blue Ribbon Committee on PCE

BLUE RIBBON COMMITTEE
POWER COST EQUALIZATION
JANUARY 21, 1999

BALLOT

Option	QUESTION 1 Include in Committee Report As Worthy of Consideration? (check up to 4)	QUESTION 2 Designate Best Option? (check no more than 1)
1. Universal service fund.	_____	_____
A. If a universal service fund should be included in the Committee report as worthy of consideration, please check only one of the following:		
☐ Both options should be included – lifeline power benchmarked at 150% and at 100% of statewide average residential rate.		
☐ Only the 150% option should be included.		
☐ Only the 100% option should be included.		
B. If a universal service fund should be designated as the best option, please check only one of the following:		
☐ The 150% benchmark is recommended.		
☐ The 100% benchmark is recommended.		
2. General Fund endowment / extend modified PCE through 2013.	_____	_____
3. Declining General Fund appropriations / extend modified PCE through 2010.	_____	_____
4. Further explore the potential for federal funding of PCE or an alternative rate support program.	_____	_____

Senator Al Adams
Committee Member

_____
Signature

Please fax completed ballot to Irene Tomory (DCRA): fax # 269-4645

January 21, 1999

SUMMARY OF OPTIONS

The following summary is based on the subcommittee report dated December 24, 1998, that was included in the January 15, 1999 Blue Ribbon Committee packet:

OPTION 1 would create the equivalent of an electric utility "universal service fund" with the following characteristics:

A. Similar to the universal service fund authorized for telephone service, it would be funded by a surcharge assessed on all electric utility bills statewide.

B. In combination with 60% of Four Dam Pool debt service, the universal service fund would provide enough annual revenue to support an "Electric Lifeline" program statewide without tapping the State General Fund.

C. The purpose of the Electric Lifeline program would be to provide affordable power for residential consumers and community facilities within the following limits of eligibility:

- For each residential customer in a high cost service area, rate support would be provided for up to one-half of the statewide average consumption per household each month.
- For community facilities in high cost service areas, rate support would be limited to those facilities directly related to public health and safety.

D. Creation of a universal service fund is anticipated to require a transitional period of two years during which a modified PCE program would continue to be administered:

- Gaining legislative approval of a universal service fund concept would probably require more than one session.
- For FY 2000 and 2001, the 60% share of Four Dam Pool debt service combined with re-appropriation of the $20 million Swan/Tyee intertie loan would be enough to fund PCE without additional draws from the General Fund.

For eligible electrical usage, rate support would lower the price of power to a selected "benchmark" level. Two alternatives are presented for the benchmark price:

A. 100% of the statewide average residential rate, which in 1985 was 11.3 cents per kWh. In other words, this alternative would make a lifeline supply of power available at approximately 11.3 cents per kWh.

The initial year program cost under this alternative is estimated at $22.9 million, $16.3 million of which would come from the universal

service fund. This would require a surcharge of about 0.32 cents/kWh on all electric utility bills statewide, and would cost an average residential customer in the Railbelt about $27 per year.

B. 150% of the statewide average residential rate, or about 17.0 cents per kWh. In other words, this alternative would make a lifeline supply of power available at approximately 17.0 cents per kWh.

The initial year program cost under this alternative is estimated at $14.7 million, $8.1 million of which would come from the universal service fund. This would require a surcharge of about 0.16 cents/kWh on all electric utility bills statewide, and would cost an average residential customer in the Railbelt about $14 per year.

OPTION 2 would extend the PCE program through 2013, consistent with legislative intent enacted in 1993 to fund PCE for 20 years. In addition to the funding sources that all of the options have in common – the 60% share of Four Dam Pool debt service and the re-appropriation of the $20 million Swan/Tyee intertie loan – Option 2 requires an estimated $75 million General Fund endowment in FY 2000 to carry the program the rest of the way.

To keep the size of the endowment from escalating higher, Option 2 also incorporates a $17 million annual cap on PCE expenditures. This is approximately equal to the average annual outlay for PCE since its inception in 1985.

OPTION 3 seeks to extend the same modified PCE program for a significant length of time without recourse to a large General Fund endowment or enactment of a universal service fund. Its main features are as follows:

A. Annual PCE outlays are capped at $15 million per year.

B. General Fund appropriations are required beginning with $15 million for FY 2000. These appropriations can then be reduced by $2.5 million per year, reaching zero in FY 2006. These appropriations are in addition to:

- 60% of Four Dam Pool debt service, and
- Re-appropriation of the $20 million Swan/Tyee intertie loan.

C. Given these funding sources and expenditure caps, PCE can be extended through the year 2010.

OPTION 4 is a recommendation to further explore the potential for federal funding of PCE or an alternative rate support program, and was added to the list at the Committee's January 15, 1999 meeting.

ATTACHMENT 2

OPTIONS FOR REDUCING RURAL POWER COSTS
WORKING PAPER – PCE BLUE RIBBON COMMITTEE
FEBRUARY 1998

OPTIONS FOR REDUCING RURAL POWER COSTS
WORKING PAPER – PCE BLUE RIBBON COMMITTEE
FEBRUARY 1998

The primary options can be organized into three categories:

1. Reduce non-fuel operating costs.

2. Reduce fuel costs.

3. Replace diesel generation with alternative energy.

Reduce non-fuel operating costs

Significant measures to reduce non-fuel operating costs per kWh involve either switching to a different mode of power generation such as hydro, or enhancing economies of scale. Alternative energy strategies are discussed in a later section of this paper. Economies of scale may be sought in either of the following ways:

1. Increase power sales. The problem is that this is not a realistic option in most rural villages.

2. Utility mergers. For example, a single-village utility could join a multi-village utility. Savings could be realized in administration, billing, and volume purchasing of parts, equipment, and fuel. Scale economies also allow for the employment of technical staff whose cost and expertise can be shared throughout the multi-village utility, and whose contribution can result in improved maintenance, longer equipment life, and fewer costly emergencies.

As noted during our initial meeting, the multi-village utilities generally do not have a record of lower rates. For example, AVEC residential rates throughout their 50-village system exceed 40 cents/kWh. Residential rates in the 6 villages served by Tlingit-Haida Regional Electrical Authority exceed 30 cents/kWh although all 6 are located in the relatively low cost region of southeast Alaska.

It may be that the main effect of joining a multi-village system is not to reduce consumer rates but rather to improve reliability, safety, and environmental protection. Further, it may be that operating cost economies are realized but that the savings are then used to "purchase" a safer and more reliable system. Overall:

1. Joining a multi-village utility to enhance economies of scale is not likely to produce significant rate reductions for the consumer.

2. Joining a multi-village utility could lead to development of a power system that is more reliable, better built, and better maintained. It is a difficult strategy to implement, however, since single-village utilities typically exist where the desire for local control is relatively high.

3. Joining a multi-village utility could lead to lower overall costs of operation and greater self-reliance even if such cost reduction is not reflected in consumer rates. Single-village utilities are more likely to seek and obtain government grants for plant replacement and emergency repairs, while multi-village utilities are more likely to finance their plant requirements and recover the associated debt service through consumer rates and PCE.

Reduce fuel costs

As discussed in the Committee's initial packet of materials, fuel costs are one reason for high rates in rural villages although the impact of fuel costs is less important than often assumed:

1. The average price of diesel fuel in 1995 for utilities in the Power Cost Equalization program was $1.01 per gallon, and the average efficiency of diesel generators for these same utilities was 12.9 kWh per gallon. The average fuel cost per kWh was therefore 7.8 cents.

2. Because the price of Cook Inlet natural gas is very favorable, the fuel cost per kWh for Anchorage area utilities is approximately 2.0 cents.

3. Therefore, the cost of fuel accounts for roughly 5.8 cents per kWh of the difference in power costs between Anchorage and the average rural Alaska community. When trying to explain power cost differentials of 20 to 30 cents or more per kWh, the fuel cost issue is important but is not a dominant factor.

Options for reducing the fuel cost component can be grouped in the following categories: increase the efficiency of power generation, increase the efficiency of power distribution, and look for ways to reduce the delivered price of fuel.

1. Increasing the fuel efficiency of power generation is typically accomplished by purchasing new diesel units that are more efficient than the old ones, by carefully matching the size of the new units with the

village demand for power, and by operating the units so that each one operates as close to maximum load as possible.

a. Like the gradual substitution of more fuel efficient cars in the nation's vehicle fleet, the widespread installation of fuel efficient diesel generators in rural Alaska has most likely been aided by government regulation but is also pushed by market forces as old equipment is periodically replaced by new.

In the case of motor vehicles, the "corporate average fuel efficiency" standards imposed by the federal government appears to have hastened the move to more fuel efficient cars. Fuel efficiency standards have also been adopted in PCE regulations. If the actual efficiency of a PCE utility is less than the standard, then the PCE subsidy rate is calculated as though the efficiency standard were met.

These standards, which have been in effect since 1993, range from 8 kWh sold per gallon for the smallest utilities to 12 kWh sold per gallon for the largest. By tying the efficiency standard to kWh sold (rather than kWh generated), the regulation encompasses both generation and distribution efficiency. Somewhat different standards pertain to those few PCE utilities that do not rely entirely on diesel generation.

A question that the Committee may wish to consider is whether any change is now warranted in the PCE efficiency standard.

b. When the opportunity arises to replace a diesel generator, it is already the policy of most utilities and of the State to select a generator size that is best matched to the power requirements of the community. This makes sense because diesel generators are most efficient when operated at or near the top of their output range.

An emerging development is the production of diesel generators designed to maintain a high level of fuel efficiency throughout a wide range of output levels. AVEC is one utility known to the Division that has been working with a manufacturer on these units and is continuing to purchase them. To the extent they are successful, the importance of carefully matching generator size with community load and the importance of operating units as close as possible to maximum load, will both decline.

2. Increasing the efficiency of power distribution means upgrading distribution systems to reduce line losses, i.e. energy lost in transit between the power plant and the consumer. Because the useful life of a distribution system can often be extended for many years with periodic repairs and piecemeal replacements, upgrades resulting in higher efficiency are not as "automatic" as they tend to be with generator equipment. There are still substantial opportunities in rural Alaska to improve fuel efficiency by upgrading distribution systems, upgrades that might not occur for many more years in the absence of government funding.

3. While the base price of fuel is largely unaffected by the actions of individual consumers, there are purchasing strategies that electric utilities can adopt to help keep the delivered price as low as possible. The key principle that operates in favor of the consumer is competition among fuel suppliers which can be encouraged as follows:

   a. By pooling together the fuel requirements of multiple consumers, the purchase order volume is increased. Higher purchase volumes generate greater competitive interest among fuel suppliers.

   b. Bids are widely and aggressively solicited for the combined purchase order.

   However, as noted by the AVEC representative at the initial Committee meeting, consolidated purchasing must not be taken so far as to eliminate suppliers from the market and end up reducing competition rather than enhancing it. AVEC's approach is to package enough of its villages in combined fuel orders to gain advantage from higher volumes without driving fuel supply competitors out of the market.

   Fuel purchasing cooperatives can be formed among electric utilities and other fuel purchasers who presently arrange for their fuel supplies independently:

   a. The "Western Alaska Fuel Group" is an informal alliance of the following electric utilities:

      Kotzebue Electric Association
      Nome Joint Utilities
      Naknek Electric Cooperative
      Nushagak Electric Cooperative (Dillingham)

Iliamna-Newhalen-Nondalton (INN) Electric Cooperative

Attached is a chart showing:

1. Average fuel prices paid by each member over the last 7 years, and

2. Average fuel prices paid by a selection of other, roughly comparable rural utilities over the same period.

Within each group, coastal communities and interior communities are shown separately to provide a somewhat better comparison. Because a number of factors determine the fuel price paid by any single utility, the average price difference between the Western Alaska Fuel Group and the selected utilities in the comparison group cannot be taken as proof that cooperative buying works. Probably the best evidence in its favor is that all of the utilities in the Western Alaska Fuel Group have chosen to remain a part of it for over 10 years.

In FY95 the combined fuel usage of the members of the Western Alaska Fuel Group was just over 6.0 million gallons. Assuming for illustration a savings from coordinated purchasing of $0.05 per gallon, the total savings are about $300,000 per year.

b. Although Nunat Uquutiit Cooperative, Inc. (NUCI) presently owns only two operational tank farms, it has 42 members located in 26 villages. In 1996 NUCI bundled together the volume requirements of about half its members and purchased fuel on their behalf at $1.27 per gallon.

Although the level of savings from the 1996 purchase is difficult to judge, the consolidated purchase was apparently viewed as a success by NUCI members since, in 1997, 39 of the 42 members chose to participate in the joint purchase. The average price obtained by NUCI in 1997 was $1.20 per gallon.

<u>Replace diesel generation with alternative energy</u>

Most alternative energy concepts are unproven in rural Alaska in terms of durability, reliability, and cost. For example:

1. Wind energy. There were many experiments with wind generators in rural Alaska 10-15 years ago, none of which were successful on a utility scale or over a significant period of time. We are experimenting now with the latest generation of wind technology in Kotzebue and Wales, but it will be several years of testing and evaluation before the Division of Energy could recommend wind energy for rural utilities on a broad scale.

2. Small-scale natural gas development. Economic and geophysical assessments carried out by the State on natural gas or coal bed methane development in rural Alaska have not been promising. Our information suggests that suitable deposits are not likely to be found in close proximity to rural communities, and that the cost of development for gas that is found is not likely to be competitive. While exceptions may yet be found, there is no basis to predict that natural gas will emerge as a competitive fuel source for a significant number of rural villages.

3. The Division has evaluated power plants fueled with biomass in various forms but we have yet to identify a rural community in which this option appears to be competitive.

4. The two main alternative energy technologies with a proven track record in rural Alaska are small hydro and electric energy conservation:

    a. Hydro prospects are limited in number and unevenly distributed: most are found near the arc that extends from southeast Alaska to the Aleutians. Still, undeveloped prospects remain that could serve rural Alaska communities. The Division is presently involved in the following:

        i. Pyramid Creek in Unalaska and Old Harbor on Kodiak Island. Federal grant funds have already been appropriated to help finance the Old Harbor project.

        ii. Power Creek near Cordova. The Division is financing preconstruction costs of licensing and design. Federal grant funds have also been provided to help finance Power Creek

    It is unusual to find a rural hydro project that can support market financing and still result in rate reductions for the affected community. Most of the financial benefit of these projects is therefore tied to the amount of grant or low interest loan financing they are able to attract from the State and federal government. As an alternative for reducing rural power costs, small hydro can often

be effective not because its actual cost is low relative to diesel energy but because it can serve as a tangible, one-time vehicle for attracting government subsidy that can then reduce consumer costs throughout the extended life of the project.

b. Electric energy conservation is a form of alternative energy that can pay for itself when the cost to conserve a unit of energy is less than the cost to produce it. The following are among the relevant issues when considering conservation in rural Alaska:

i. Because the cost to produce a kWh of energy is relatively high, electric energy conservation should be exceptionally cost-effective in this environment.

ii. Because the present level of electricity consumption in rural villages is already very low, the remaining opportunities for conservation may be limited.

iii. While the cost of energy for residential consumers is often considered to be the highest priority, it is most difficult to design and implement an effective energy conservation program for this segment of consumers because there are so many of them, each consuming a relatively small amount of power.

iv. Rural utilities are typically not supportive of energy conservation programs except for the purpose of customer relations. Because much of the utility's cost is fixed, lower power sales often means upward pressure on rates. The conserving customer may still benefit, but the utility and its other customers may be left to share higher fixed costs. From the rural utility's perspective, conservation goes in the opposite direction of the utility's effort to increase sales and thereby enhance economies of scale.

THE ECONOMIC SIGNIFICANCE OF THE POWER COST EQUALIZATION PROGRAM

EXECUTIVE SUMMARY

WHAT IS THE PROGRAM ?

In FY 1996 the Power Cost Equalization (PCE) Program provided $19.202 million of financial assistance to electric utilities in 190 rural Alaska communities where the cost of electric power is greater than urban Alaska because of small market size, dependence on expensive fuel oil for generation, and the high cost of doing business in remote areas.

The PCE program is designed to pay a portion, currently 95 percent, of the legitimate electric generation costs between a floor and a ceiling, for a basic level of electric service for residential and commercial customers (including public schools) and community facilities. The floor is set at a level equal to the cost for electricity generation in urban areas, 9.5 cents in 1996, and the ceiling is set at the level of reasonable maximum cost for a small utility, 52.5 cents. In recent years PCE budget restrictions have kept payments to eligible utilities below 95 percent of legitimate costs.

Thus rural utility customers pay at least as much as urban consumers for their electricity, but a portion of the extra cost of generation is covered by the PCE program. Furthermore only the first 700 kwh per month of use by each residential or commercial customer is eligible for the program, and only 70 kwh per month for each community member for community facilities is eligible. As a result, only 38 percent of all electricity sold in PCE communities in 1996 qualified for assistance. In addition only legitimate costs are covered, as determined by Alaska Public Utilities Commission (APUC).

WHO DOES IT SERVE ?

The typical (median) community served by PCE has a population of 264. Bethel, with a population of 5,195, is the largest, and only 8 other communities (Unalaska, Nome, Kotzebue, Cordova, Dillingham, Craig, Naknek, and Haines) have a population greater than 1,000. The total population served is 75,767.

The assistance provided to the utilities is primarily targeted toward residential customers in the PCE communities. The average income of PCE households is $49,825 compared to $65,054 for non PCE communities. (Although the average income in the typical PCE

community is considerably less, $35,203, because average incomes are higher in the larger PCE communities.) The unemployment rate among PCE households is 15 percent compared to 8 percent for non PCE communities. 18 percent of families in PCE communities have incomes below the poverty level compared to 6 percent in non PCE communities.

The typical PCE utility generates about 652,000 kwh annually, about the amount that Chugach Electric Association, the largest electric utility in the state, sells in a typical 6 hour period. The 9 largest utilities that serve the communities of greater than 1,000 population account for just over 50 percent of the generation of all the PCE utilities which in 1996 totaled 369 million kwh. The cost of electricity provided by the typical PCE utility is $.42 per kwh. This is the amount per kwh the residential customer would need to pay to cover all costs of production. Because of differences in size and location, some utilities have a lower cost, although none are as low as Anchorage where the average cost is about $.10 per kwh. At the other extreme some utilities report an average cost in excess of $.60 per kwh.

WHAT BENEFIT DOES IT PROVIDE ?

The typical community gets $71 thousand per year in financial assistance through the PCE program, and this covers about 31 percent of the total costs of providing electricity.

About 68 percent of the total, $13.092 million, in FY 1996 supported sales to residential customers. Financial assistance under the PCE program reduces each eligible kwh of electricity to residential customers by an average of $.22. (87 percent of residential sales are eligible for PCE.) Residential customers in PCE communities still pay twice the urban average for electricity after the PCE assistance--$.20 for the average kwh. This is because not all consumption is eligible, not all reported costs are approved by the APUC, the program pays only 95% of legitimate costs between the floor and the ceiling, some utilities have costs above the ceiling, and the program has not been fully funded in recent years. The range of residential rates after application of the PCE assistance is from $.10 to $.35 per kwh.

Because of the high cost of electricity, even with PCE assistance, and the low household income, the average residential customer in the PCE communities uses 4,933 kwh of electricity in a year, about 65 percent as much as the typical customer in Anchorage, who uses 7,619. (The average in the typical PCE community is less, 3,921 kwh per year, because average consumption is higher in the larger PCE communities.)

In spite of lower consumption, residential monthly bills are higher in PCE communities, even with PCE. The average residential customer of a PCE utility has a monthly bill of $75, after receiving assistance, compared to $61 for Anchorage. (The average in the typical PCE community is less, $66, because average consumption is higher in the larger PCE communities.) Without PCE the monthly bill would have been $121.

If the PCE residential customer used as much electricity as the average household in Anchorage, the typical utility average monthly residential bill would be $125 with PCE. In the

absence of PCE the monthly bill at the Anchorage rate of use with all utility costs paid by the customer would be $264, 433 percent of the Anchorage bill.

About 19 percent of PCE assistance, $3.683 million in FY 1996, went to support electricity use in community facilities in PCE communities--an average of $2,537 per facility per year. This assistance reduced the cost of 98 percent of the electricity used for this purpose. Since local residents bear the cost of electricity used by these facilities, the savings for the average PCE household from this assistance was $158 per year.

The remaining 13 percent of PCE assistance, $2.407 million in FY 1996, helped pay for about 10 percent of the electricity used by the commercial sector, including the public schools.

WHAT WOULD HAPPEN IF PCE DISAPPEARED ?

The typical PCE utility receives about $71 thousand of PCE financial assistance annually which accounts for about 31 percent of the total cost of the providing electricity to the community. Elimination of that assistance would put many small utilities at financial risk and require electricity users to pay substantially higher electricity bills at the same time that it reduced the amount of electricity they used.

Without PCE the utilities would be forced to raise their rates substantially, and the resulting drop in sales would require further rate increases to generate sufficient revenues to cover all costs. Although reduced sales would lower costs because less fuel would be needed, a large share of utility costs are fixed. This results in the potential for a utility to fall into a "death spiral", in which continuously rising rates are never able to generate enough revenue to cover costs. A utility caught in a death spiral cannot survive without an external source of financial assistance.

The likelihood that a utility would fall into a death spiral is a function of how sensitive electricity sales are to the higher electricity prices necessitated by the elimination of PCE. If a doubling of the price paid by customers reduced sales by 20 percent, death spirals would be unlikely. But if a doubling of the price reduce sales by 30 percent, utilities in half the communities served by PCE would be unable to cover their costs through higher rates.

The burden of the loss of PCE financial assistance to utilities would fall primarily on the residents of the communities currently served by PCE. This burden would be a combination of higher electricity bills and less electricity use. Customers would be spending more for less electricity and have less income available for other needs. For a representative community like Elim, the residential price of electricity would increase 190 percent--from $.19 to $.55. Average annual consumption would fall by 38 percent--from 4,202 to 2,608 kwh. The average monthly residential bill would increase by 80 percent--from $66 to $119. Without PCE the average residential customer would be devoting 4.4 percent of household income directly to paying for electricity. Including payments in support of community facility electricity use, 6.1 percent of household income would be devoted to payments for electricity.

Most of the remaining financial burden of the loss of PCE would fall on commercial users of electricity, and the higher costs imposed on them would be passed on to customers as higher prices and back onto workers as lower wages. Some of the burden would thus fall on local residents and some would be shifted outside the PCE communities. Since the public schools are included in this category for purposes of PCE, some of the burden, estimated at about $1.406 million would fall on the state treasury.

The remainder of the financial burden would fall on state and federal government agencies operating in PCE communities. These government agencies do not qualify for PCE assistance so the rate they are charged covers the full cost of providing their electricity. However since elimination of PCE combined with reduced sales would drive up the average cost of electricity for the PCE utilities, the rates charged to all customer classes would rise. State government agencies would pay about $.290 million in additional charges for electricity.

In addition to the quantifiable direct financial burden on local residents, utilities, and state government from the elimination of the PCE program, there are indirect burdens both for the PCE communities and for the state.

The public and private physical infrastructure necessary to deliver the educational, sanitation, health, transportation, and communication services to sustain rural Alaska communities, and enhance their opportunities for economic development, depends directly on the availability of a reliable and affordable source of electricity. Furthermore there are some special uses of electricity in rural areas that enhance the quality of life in ways urban residents often overlook, such as refrigeration for preserving subsistence harvested food and streetlights for additional safety during the long hours without sunlight in the winter.

The state which has paid for much of the investment in the public infrastructure in rural Alaska also has an interest in its continued ability to provide the services to sustain rural communities. Loss or deterioration of these services would be detrimental to the physical and psychological well being of rural Alaskans and responding to the problems this would create would put an additional burden on state financial resources.

WHAT IS THE ECONOMIC SIGNIFICANCE OF PCE ?

Elimination of PCE assistance would draw $19.202 million out of the rural Alaska economy. This loss of purchasing power translates into a loss of $4.908 million in wages and 210 jobs (annual average) throughout Alaska. Because most of the PCE communities are too small to support much business activity locally, a large share of this loss would occur in urban Alaska.

ATTACHMENT 4

RESIDENTIAL CONSUMPTION
SOUTHERN RAILBELT

AVERAGE USE PER CUSTOMER
SOUTHCENTRAL UTILITIES -- RESIDENTIAL CUSTOMERS
BY MONTH

Anchorage ML&P		Chugach Electric		Matanuska Electric		Homer Electric		weighted ave	one half wtd ave	weighted ave X 1.05	one half wt ave X 1.05
Jan-98	720	Jan-98	854	Jan-97	1009	Jan-97	929	878	439	922	461
Feb-98	563	Feb-98	906	Feb-97	830	Feb-97	695	798	399	838	419
Mar-98	509	Mar-98	755	Mar-97	827	Mar-97	659	716	358	751	376
Apr-98	527	Apr-98	759	Apr-97	553	Apr-97	645	653	326	685	343
May-98	474	May-98	635	May-97	638	May-97	542	594	297	624	312
Jun-98	431	Jun-98	541	Jun-97	613	Jun-97	556	541	271	568	284
Jul-98	419	Jul-98	644	Jul-97	554	Jul-97	573	573	286	601	301
Aug-98	460	Aug-98	547	Aug-97	546	Aug-97	518	527	264	554	277
Sep-98	446	Sep-98	548	Sep-97	694	Sep-97	458	553	276	580	290
Oct-98	449	Oct-98	590	Oct-97	683	Oct-97	714	605	302	635	318
Nov-98	585	Nov-98	619	Nov-97	875	Nov-97	665	681	340	715	358
Dec-98	581	Dec-98	687	Dec-97	955	Dec-97	818	751	376	789	394
# of Res. Cust.: (1997)	23,393		58,931		31,912		18,544	132,780	328	689	344

Explanatory Notes:

1. The "weighted average" is weighted by the number of customers. For example, use per customer for Chugach Electric is given approximately three times the weight of Homer Electric, since Chugach has approximately three times as many residential customers.

2. One-half the average residential usage of these four utilities is 439 kWh in January and 271 kWh in June. Over the entire year, one-half the average monthly use is 328 kWh.

3. These figures are multiplied by 1.05 (5.0%) to account for the fact that use per customer is slightly higher statewide than for these four utilities, and to account for load growth.

Source: Alaska Public Utilities Commission

1/27/99

ATTACHMENT 5

HOW 326 KWH MIGHT BE USED IN A VILLAGE HOME

EXCERPT FROM:
AFFORDABLE POWER IN RURAL ALASKA
EXECUTIVE SUMMARY
ARECA RURAL ISSUES FORUM REPORT
1996

Electricity Use in Rural and Urban Alaska

Rural Alaskans use electricity conservatively because it is expensive. Average usage varies between communities and in different seasons. Overall, an average of 326 kilowatt-hours (kwh) used per residential and commercial customer were eligible for PCE credit in 1995.

How 326 kwh might be used in a village home:

*Refrigerator (1,000 watt, 14 cu ft. frostless)	100
*Freezer (1,000 watt, 15 cu ft. frostless)	100
Coffee Maker	15
Toaster	3
Hair Dryer	2
Clock	2
Television	20
VCR	4
*Indoor Lighting	60
Outdoor Lighting	20
TOTAL	326

Urban homes typically have a number of other appliances that may or may not be present in rural homes. Below are examples of the estimated range of usage for additional appliances that might be in an Anchorage home:**

Electric Range (Stove)	30-60	Heat Tape or Deicer Cable	10-150
Dishwasher	20-50	Stereo	1-5
Slow Cooker	3-12	Video Games	1-4
Garbage Disposal	2-5	Computer	2-35
Vacuum Cleaner	4-6	Washing Machine	4-12
Sewing Machine	1-4	Clothes Dryer	50-150
Car Engine Heater	30-150	Water Heater	150-550

* Actual kwh used depends on appliance efficiency and use patterns. A highly efficient refrigerator or freezer opened rarely might draw 40 kwh per month while an older, less efficient model opened often could draw 200 or more kwh per month. The lighting example is based on four 100-watt bulbs on for five hours per day, though the same kwh would be used by fewer lights on for a longer period or more lights of lower wattage used for the same period.

** From *Sometimes The House That Costs More, Costs Less*, a publication of Chugach Electric Association, based in Anchorage.

ATTACHMENT 6

IMPACT OF LIFELINE RATE OPTIONS ON ELECTRIC UTILITIES

Utility/Community	Popu-lation	Resi-dential Customers	Average monthly Eligible kwh per Residential Customer (kwh)	Average monthly Eligible kwh per Community Fac./Pop. (kwh)	Utility's Avg. Residential Rate (based on 500 kwh) (cents/kwh)	Power Cost Equalization Rate (cents/kwh)	Effective Residential Rate (cents/kwh)	11.3 cents residential $/year	11.3 cents com fac $/year	17.0 cents residential $/year	17.0 cents com fac $/year	Total PCE Payment / Existing Formula	Total Payment / 11.3 cent "Lifeline"	Total Payment / 17.0 cent "Lifeline"
Chitina Electric Inc.	49	31	248	26	33.6	14.0	19.6	20,597	3,423	15,332	2,548	26,300	24,020	17,881
Circle Utilities	107	34	261	22	48.0	25.9	22.1	39,130	10,593	33,053	8,948	52,654	49,724	42,001
Platinum Power Plant (1)								-	-	-	-	0	-	-
Coffman Cove Utility Association								-	-	-	-	0	-	-
Coffman Cove	254	100	393	20	23.0	12.3	10.7	49,140	6,979	25,200	3,579	75,602	56,119	28,779
Whale Pass	92	20	359	3	23.0	12.3	10.7	9,828	421	5,040	216	16,259	10,249	5,256
Cordova Electric Cooperative, Inc.	2,568	920	432	65	21.0	9.8	11.2	374,808	193,677	154,560	79,867	714,178	568,485	234,427
Diomede Joint Utilities	154	44	275	26	43.0	26.8	16.3	46,067	15,463	37,784	12,683	61,470	61,530	50,467
Eagle Power Company	146	129	198	6	39.0	28.9	10.1	84,802	2,929	67,352	2,326	115,879	87,731	69,678
Egegik Light & Power Co.	143	65	259	32	50.0	19.5	30.5	78,145	20,976	66,635	17,887	60,790	99,121	84,522
Ekwok Electric	102	56	243	15	40.0	10.6	29.4	46,857	5,245	37,551	4,203	25,447	52,102	41,754
Elfin Cove Electric Utility	65	30	297	23	26.2	15.8	10.4	15,940	2,710	9,842	1,673	27,384	18,549	11,515
False Pass Electric Association	87	28	279	28	42.0	16.2	25.9	28,742	8,903	23,405	7,250	22,527	37,645	30,655
Far North Utilities (Central)	161	69	168	2	43.1	24.9	18.2	44,272	1,419	36,337	1,165	63,595	45,692	37,502
G&K, Inc. (Cold Bay)	220	35	363	40	37.7	24.2	13.5	38,808	27,584	30,429	21,629	75,060	66,392	52,058
Galena, City of	527	209	277	42	30.4	10.2	20.2	132,667	50,759	93,075	35,611	113,984	183,426	128,687
Golovin Power Utilities	156	52	229	31	38.0	21.1	17.0	38,236	15,682	30,073	12,334	51,263	53,918	42,407
Gustavus Electric Company	151	254	256	16	46.5	33.1	13.4	274,924	9,959	230,405	8,346	344,161	284,883	238,751
Gwitchyaa Zhee Utilities (Fort Yukon)	663	258	231	27	30.9	16.2	14.7	139,873	42,110	99,196	29,863	171,102	181,983	129,059
Haines Light & Power	1,394	769	404	41	16.3	6.1	10.2	161,490	34,549	-	-	235,103	196,039	-
Hughes Power & Light	78	21	183	36	51.0	28.6	22.4	18,259	13,531	15,638	11,588	25,073	31,790	27,226
I-N-N Electric Cooperative	416	212	285	35	46.4	31.2	15.3	254,281	61,047	212,987	51,133	330,049	315,328	264,120
Igiugig Electric Company	33	17	196	58	58.3	24.5	33.8	18,749	10,812	16,475	9,501	23,060	29,562	25,976
Ipnatchiaq Electric Company (Deering)	153	39	339	30	38.5	27.1	11.5	43,201	14,895	34,148	11,774	62,470	58,096	45,922
King Cove, City of	879	179	278	48	20.0	6.4	13.6	51,890	44,440	17,895	15,335	75,244	96,360	33,228
Kipnuk Light Plant	470	121	329	40	27.4	13.2	14.2	81,820	35,988	52,853	23,247	128,284	117,808	76,100
Kobuk Valley Electric Company (1)								-	-	-	-	0	-	-
Kokhanok Village Council	152	43	217	16	55.1	30.2	24.9	49,060	12,897	42,675	11,219	55,035	61,957	53,894
Koliganek Village Council	181	64	249	0	50.0	13.6	36.4	74,066	-	63,157	-	62,868	74,066	63,157
Kotlik Electric Services	548	123	282	13	30.0	18.7	11.3	77,762	15,930	54,059	11,074	100,507	93,692	65,134
Kotzebue Electric Association	2,947	799	459	40	21.8	8.4	13.4	352,359	147,943	161,078	67,631	486,204	500,302	228,709
Koyukuk, City of (1)								-	-	-	-	0	-	-
Kwethluk, Inc.	688	135	252	6	44.0	17.1	26.9	133,270	15,790	110,039	13,038	84,315	149,060	123,077
Kwig Power Company (Kwigillingok)	278	73	351	5	50.0	26.7	23.3	118,654	6,681	101,178	5,697	80,476	125,335	106,875
Larsen Bay Utility Company	130	46	292	21	40.0	18.2	21.8	46,270	9,423	37,081	7,552	51,564	55,693	44,632
Levelock Electric Cooperative	105	44	311	61	44.2	27.0	17.2	54,090	25,081	44,719	20,736	60,611	79,172	65,455
Manley Utility Company	96	69	140	3	61.0	40.7	20.3	57,574	1,818	50,971	1,609	71,188	59,392	52,580
Manokotak Power Company	410	99	289	14	35.0	15.4	19.6	81,364	16,161	61,795	12,274	67,403	97,525	74,070
McGrath Light & Power	479	170	396	51	37.2	24.0	13.2	184,926	76,108	144,228	59,358	291,121	261,034	203,586
[illegible]								-	-	-	-	0	-	-
[illegible]							21.8	52,841	6,000	38,631	5,412	43,468	43,934	39,043
[illegible]							21.8	47,051	5,829	41,813	5,225	56,261	52,930	47,037
[illegible]							21.8	13,872	166	12,328	148	22,234	14,039	12,476

Utility/Community	Popu-lation	Resi-dential Customers	Average monthly Eligible kwh per Residential Customer (kwh)	Average monthly Eligible kwh per Community Fac./Pop. (kwh)	Utility's Avg. Residential Rate (based on 500 kwh) (cents/kwh)	Power Cost Equalization Rate (cents/kwh)	Effective Residential Rate (cents/kwh)	11.3 cents residential $/year	11.3 cents com fac $/year	17.0 cents residential $/year	17.0 cents com fac $/year	Total PCE Payment / Existing Formula	Total Payment / 11.3 cent "Lifeline"	Total Payment / 17.0 cent "Lifeline"
Sleetmute	106	33	175	2	62.5	40.7	21.8	35,440	1,326	31,494	1,178	38,367	36,765	32,672
Stony River	51	16	180	8	62.5	40.7	21.8	17,720	2,445	15,748	2,173	26,218	20,166	17,921
Total								-	-	-	-	0	-	-
Naknek Electric Association, Inc.	1,482	657	372	59	20.5	8.8	11.7	253,865	96,244	96,579	36,615	338,127	350,109	133,194
Napakiak Ircinraq Power Company	326	84	288	12	56.1	36.9	19.2	129,834	21,622	113,315	18,871	120,522	151,456	132,186
Napaskiak Electric Utility	404	88	265	1	45.0	21.7	23.3	94,142	1,360	78,219	1,130	59,116	95,502	79,349
Naterkaq Light Plant (Chefornak)	361	75	368	4	34.0	12.5	21.5	71,505	4,363	53,550	3,267	46,448	75,868	56,817
Nelson Lagoon Electric Cooperative, Inc.	86	42	335	18	42.0	25.4	16.6	51,800	5,829	42,182	4,747	53,714	57,629	46,929
Nightmute Power Plant	189	36	264	2	30.5	18.9	11.6	21,871	768	15,378	540	26,898	22,639	15,918
Nikolai Light & Power	125	40	226	67	50.0	21.6	28.4	42,034	38,879	35,843	33,152	55,372	80,912	68,995
Nome Joint Utility System	3,984	1417	362	36	19.6	5.0	14.6	493,966	141,565	154,736	44,346	398,880	635,531	199,082
North Slope Borough Power & Light								-	-	-	-	0	-	-
Anaktuvuk Pass	292	79	375	7	15.0	5.3	9.7	12,277	912	-	-	34,336	13,188	-
Atqasuk	233	53	474	15	15.0	5.3	9.7	8,236	1,563	-	-	28,891	9,800	-
Kaktovik	210	71	404	15	15.0	5.3	9.7	11,033	1,421	-	-	28,672	12,454	-
Nuiqsut	410	88	388	13	15.0	5.3	9.7	13,675	2,309	-	-	37,598	15,984	-
Point Hope	723	157	438	9	15.0	5.3	9.7	24,398	3,043	-	-	57,105	27,441	-
Point Lay	139	53	371	9	15.0	5.3	9.7	8,236	557	-	-	22,753	8,794	-
Wainwright	543	127	393	13	15.0	5.3	9.7	19,736	3,168	-	-	48,281	22,904	-
Total								-	-	-	-	0	-	-
Northway Power & Light	113	103	318	46	26.5	16.8	9.7	59,690	9,393	37,306	5,870	84,506	69,083	43,177
Nushagak Electric Cooperative, Inc. (Dillingha	2,243	902	412	31	21.7	7.9	13.8	393,994	86,704	178,055	39,183	492,979	480,697	217,238
Ouzinkie, City of	259	72	344	28	30.0	16.8	13.2	55,503	16,131	38,585	11,214	67,933	71,633	49,798
Pedro Bay Village Council	42	27	216	48	60.0	26.6	33.4	34,104	11,725	30,112	10,353	31,024	45,829	40,465
Pelican Utility Company	209	181	178	49	15.1	1.9	13.3	14,724	4,680	-	-	11,442	19,405	-
Perryville, City of	108	36	241	0	30.0	9.2	20.8	19,469	-	13,534	-	11,214	19,469	13,534
Pilot Point Village Council	94	44	279	0	31.7	17.0	14.7	30,069	-	21,668	-	32,181	30,069	21,668
Port Heiden, City of	126	52	178	2	30.0	8.2	21.8	20,774	688	14,442	478	12,031	21,462	14,920
Puvurnaq Power Company (Kongiganak) (1)								-	-	-	-	0	-	-
Ruby, City of	210	89	179	56	54.0	17.0	37.0	81,704	60,284	70,798	52,237	64,915	141,988	123,034
Sand Point Electric Company	989	274	378	43	29.9	17.7	12.2	214,049	95,829	148,453	66,462	370,486	309,878	214,915
Sheldon Point, City of	163	38	181	37	29.0	20.9	8.1	14,580	12,663	9,885	8,585	30,559	27,243	18,470
St. George Municipal Electric Utility	195	52	406	52	31.5	19.7	11.8	44,117	24,535	31,668	17,612	70,750	68,652	49,280
St. Paul Municipal Electric Utility	767	150	498	63	35.0	9.5	25.5	149,310	136,455	113,400	103,637	121,142	285,765	217,037
Stevens Village Energy Systems	102	40	101	37	55.0	17.1	37.9	21,161	19,610	18,401	17,052	18,495	40,771	35,453
Takotna Community Association	62	31	192	65	48.1	21.7	26.4	26,228	17,709	22,166	14,966	33,265	43,937	37,132
Tanalian Electric cooperative, Inc.	69	53	262	0	33.7	16.5	17.2	37,363	-	27,855	-	38,469	37,363	27,855
Tanana Power Company	351	105	231	28	42.7	17.3	25.4	91,532	37,357	74,917	30,575	86,851	128,889	105,492
Tatitlek Electric Utility	114	39	176	18	39.0	15.4	23.6	22,769	6,873	18,084	5,459	14,708	29,643	23,543
Telida Village Utility (1)								-	-	-	-	0	-	-
Teller Power Company	274	79	192	20	53.8	35.8	18.0	77,535	28,018	67,136	24,260	110,892	105,553	91,396
Tenakee Springs	111	86	184	23	34.0	18.3	15.7	43,150	7,027	32,315	5,263	50,042	50,178	37,578
Thorne Bay Public Utility	650	201	315	50	25.0	6.2	18.8	103,396	53,179	60,377	31,054	68,150	156,575	91,431

Utility/Community	Popu-lation	Resi-dential Customers	Average monthly Eligible kwh per Residential Customer (kwh)	Average monthly Eligible kwh per Community Fac./Pop. (kwh)	Utility's Avg. Residential Rate (based on 500 kwh) (cents/kwh)	Power Cost Equalization Rate (cents/kwh)	Effective Residential Rate (cents/kwh)	11.3 cents residential $/year	11.3 cents com fac $/year	17.0 cents residential $/year	17.0 cents com fac $/year	Total PCE Payment / Existing Formula	Total Payment / 11.3 cent "Lifeline"	Total Payment / 17.0 cent "Lifeline"
Tlingit-Haida Regional Electrical Authority								-	-	-	-	0	-	-
Angoon	601	174	439	26	33.9	18.0	15.9	165,161	41,736	123,505	31,209	214,998	206,896	154,715
Chilkat Valley	129	91	250	0	33.9	18.0	15.9	61,728	-	46,159	-	53,920	61,728	46,159
Hoonah	903	298	440	51	33.9	18.0	15.9	282,862	123,793	211,520	92,571	413,613	406,654	304,091
Kake	696	255	460	37	33.9	18.0	15.9	242,046	69,245	180,999	51,780	335,507	311,291	232,779
Kasaan	41	23	361	1	33.9	18.0	15.9	21,832	78	16,325	58	21,615	21,909	16,384
Klawock	759	336	394	8	33.9	18.0	15.9	318,931	15,683	238,493	11,728	338,214	334,614	250,221
Total								-	-	-	-	0	-	-
Tuluksak Traditional Power Utility	375	67	102	1	35.0	17.5	17.5	19,369	1,440	14,710	1,094	15,661	20,808	15,804
Tununuliak Community Service Assn.	300	73	277	10	46.0	24.0	22.0	84,281	12,039	70,436	10,062	71,772	96,320	80,498
Umnak Power Company (Nikolski)	35	15	197	39	45.0	23.1	21.9	11,960	5,477	9,937	4,551	17,578	17,437	14,488
Unalakleet Valley Electric Cooperative	764	250	333	49	24.9	11.4	13.5	135,665	60,796	78,805	35,315	178,455	196,461	114,120
Unalaska Electric Utility	4,083	440	422	45	20.0	6.1	13.9	160,776	192,146	55,440	66,257	227,131	352,922	121,697
Unqusraq Power Company (Newtok)	262	49	320	5	54.0	31.5	22.5	80,316	6,481	69,594	5,616	71,559	86,797	75,210
Venetie Village Electric (1)								-	-	-	-	0	-	-
White Mountain Utilities	209	67	188	42	48.0	21.8	26.2	55,334	38,237	46,740	32,298	61,512	93,571	79,038
Yakutat Power	801	257	432	28	22.2	7.6	14.6	117,655	29,685	56,129	14,162	139,047	147,340	70,291
								-	-	-	-	0	-	-
Akutan Electric Utility (8)	436	43	317	21	32.3	15.8	16.5	34,356	23,430	25,031	17,071	35,420	57,786	42,101
Alutiiq Power Company (Karluk) (11)	71	13	318	9	53.3	31.3	22.0	20,846	3,154	18,017	2,726	20,581	24,000	20,743
Buckland, City of (10)	415	80	328	0	33.0	14.8	18.2	68,287	-	50,350	-	28,001	68,287	50,350
Chenega Bay (9)	95	29	317	8	29.5	18.8	10.7	20,098	1,637	13,803	1,124	12,574	21,734	14,928
Kobuk Valley Electric Company (10)	80	34	181	57	53.0	31.1	21.9	30,710	22,766	26,512	19,654	40,186	53,476	46,166
Koyukuk, City of (6)	125	56	107	6	45.0	18.1	26.9	24,304	3,240	20,195	2,692	7,467	27,544	22,885
Platinum Power Plant (7) (1)	44	21	74	4	50.0	26.0	24.0	7,191	840	6,132	716	6,277	8,031	6,848
Puvurnaq Power Company (Kongiganak) (11)	294	68	307	18	45.0	20.9	24.1	84,384	21,731	70,111	18,056	64,490	106,115	88,167
Telida Village Utility (11)								-	-	-	-	5,467	-	-
Venetie Village Electric (11)	182	63	181	37	51.0	13.2	37.8	54,387	31,764	46,578	27,203	29,623	86,151	73,782
								16,095,297	4,916,680	11,212,889	3,373,261	19,201,515	21,011,977	14,586,150
								21,011,977		14,586,150				

Additional Communities
Lifeline Rate Program
Residential Only -- No Community Facility Estimates
(Source: 1995 Alaska Electric Power Statistics)

	Resid. Rates above 11.3 cents	Resid. Rates above 17.0 cents	Number of resid. customers	Resid. Payment / 11.3 cents	Resid. Payment / 17.0 cents
Glennallen	19.5	19.5	993	$ 341,989	$ 104,265
Kodiak	16.2		4,150	$ 854,070	
Matanuska Electric	11.5		29,848	$ 250,723	
Seward	12.2		1,511	$ 57,116	
Valdez	16.9		1,423	$ 334,690	
				$ 1,838,588	$ 104,265

"Rates" are based on 500 kWh per month and include fixed charges.

12/31/98

ATTACHMENT 7

OPTION 1A

UNIVERSAL SERVICE FUND
150% OF STATEWIDE AVERAGE RESIDENTIAL RATE

OPTION 1A

Power Cost Equalization / Universal Service Fund
Projection of Revenues and Expenditures
(FY 2000 - 2013)

	2000	2001	2002	2003	2004	2005	2006
Revenues							
60% of Four Dam Pool Debt Service	5,527	6,551	6,626	6,700	6,775	6,850	6,862
Contribution from PCE Fund	10,173	9,463					
Contribution from Universal Service Fund			8,074	8,000	7,925	7,850	7,838
Total	15,700	16,014	14,700	14,700	14,700	14,700	14,700
Expenditures							
PCE Expenditure	15,700	16,014					
Lifeline Rate Expenditure (17.0 cent benchmark)			14,700	14,700	14,700	14,700	14,700
PCE Fund							
FY 2000 Appropriation of SE Loan	20,000						
FY 2000 Appropriation of General Funds	0						
Beginning of year balance	23,200	14,114					
Interest earnings (6% of average balance)	1,087	563					
Expenditure from PCE Fund	10,173	9,463					
End of year balance	14,114	5,214					
Universal Service Fund							
Required Cents/kWh at 5.0 Billion kWh/year			0.16	0.16	0.16	0.16	0.16
Projected Four Dam Pool Debt Service:	9,212 *	10,918	11,043	11,167	11,292	11,417	11,436

* (Estimate = $10.8 million debt service minus $1.6 million "self-help")

Notes:

All dollars in thousands

PCE Fund balance = $5.2 million at end of FY99

1/27/99

OPTION 1A

Power Cost Equalization / Universal Service Fund
Projection of Revenues and Expenditures

	2007	2008	2009	2010	2011	2012	2013
Revenues							
60% of Four Dam Pool Debt Service	6,872	6,884	6,895	6,906	6,917	6,929	6,941
Contribution from PCE Fund							
Contribution from Universal Service Fund	7,828	7,816	7,805	7,794	7,783	7,771	7,759
Total	14,700	14,700	14,700	14,700	14,700	14,700	14,700
Expenditures							
Lifeline Rate Expenditure (17.0 cent benchmark)	14,700	14,700	14,700	14,700	14,700	14,700	14,700
Universal Service Fund							
Required Cents/kWh at 5.0 Billion kWh/year	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Projected Four Dam Pool Debt Service:	11,454	11,473	11,491	11,510	11,529	11,549	11,568

1/27/99

ATTACHMENT 8

OPTION 1B

UNIVERSAL SERVICE FUND
100% OF STATEWIDE AVERAGE RESIDENTIAL RATE

OPTION 1B

Power Cost Equalization / Universal Service Fund
Projection of Revenues and Expenditures
(FY 2000 - 2013)

	2000	2001	2002	2003	2004	2005	2006
Revenues							
60% of Four Dam Pool Debt Service	5,527	6,551	6,626	6,700	6,775	6,850	6,862
Contribution from PCE Fund	10,173	9,463					
Contribution from Universal Service Fund			16,274	16,200	16,125	16,050	16,038
Total	15,700	16,014	22,900	22,900	22,900	22,900	22,900
Expenditures							
PCE Expenditure	15,700	16,014					
Lifeline Rate Expenditure (11.3 cent benchmark)			22,900	22,900	22,900	22,900	22,900
PCE Fund							
FY 2000 Appropriation of SE Loan	20,000						
FY 2000 Appropriation of General Funds	0						
Beginning of year balance	23,200	14,114					
interest earnings (6% of average balance)	1,087	563					
Expenditure from PCE Fund	10,173	9,463					
End of year balance	14,114	5,214					
Universal Service Fund							
Required Cents/kWh at 5.0 Billion kWh/year			0.33	0.32	0.32	0.32	0.32
Projected Four Dam Pool Debt Service:	9,212 *	10,918	11,043	11,167	11,292	11,417	11,436

* (Estimate = $10.8 million debt service minus $1.6 million "self-help")

Notes:

All dollars in thousands.

PCE Fund balance = $3.2 million at end of FY99.

1/27/99

OPTION 1B

Power Cost Equalization / Universal Service Fund
Projection of Revenues and Expenditures

	2007	2008	2009	2010	2011	2012	2013
Revenues							
60% of Four Dam Pool Debt Service	6,872	6,884	6,895	6,906	6,917	6,929	6,941
Contribution from PCE Fund							
Contribution from Universal Service Fund	16,028	16,016	16,005	15,994	15,983	15,971	15,959
Total	22,900	22,900	22,900	22,900	22,900	22,900	22,900
Expenditures							
Lifeline Rate Expenditure (11.3 cent benchmark)	22,900	22,900	22,900	22,900	22,900	22,900	22,900
Universal Service Fund							
Required Cents/kWh at 5.0 Billion kWh/year	0.32	0.32	0.32	0.32	0.32	0.32	0.32
Projected Four Dam Pool Debt Service:	11,454	11,473	11,491	11,510	11,529	11,549	11,568

1/27/99

ATTACHMENT 9

OPTION 2

MODIFIED PCE
GENERAL FUND ENDOWMENT

OPTION 2

Power Cost Equalization / Modified and Capped
Projection of Revenues and Expenditures
(FY 2000 - 2013)

	2000	2001	2002	2003	2004	2005	2006
Revenues							
60% of Four Dam Pool Debt Service	5,527	6,551	6,626	6,700	6,775	6,850	6,862
Contribution from Endowment	10,173	9,463	9,708	9,961	10,219	10,150	10,138
Total	15,700	16,014	16,334	16,661	16,994	17,000	17,000
Expenditures							
PCE Expenditure Capped at $17 Million per Year	15,700	16,014	16,334	16,661	16,994	17,000	17,000
Endowment							
FY 2000 Appropriation of SE Loan	20,000						
FY 2000 Appropriation of General Funds	75,000						
Beginning of year balance	98,200	93,614	89,484	84,853	79,685	73,940	67,922
Interest earnings (6% of average balance)	5,587	5,333	5,078	4,792	4,475	4,132	3,771
Expenditure from Endowment	10,173	9,463	9,708	9,961	10,219	10,150	10,138
End of year balance	93,614	89,484	84,853	79,685	73,940	67,922	61,555
Projected Four Dam Pool Debt Service:	9,212 *	10,918	11,043	11,167	11,292	11,417	11,436

* (Estimate = $10.8 million debt service minus $1.6 million "self-help")

Notes:

All dollars in thousands.

PCE Fund balance = $3.2 million at end of FY99.

Four Dam Pool "self-help" estimated only for FY 2000.

1/27/99

OPTION 2

Power Cost Equalization / Modified and Capped
Projection of Revenues and Expenditures

	2007	2008	2009	2010	2011	2012	2013
Revenues							
60% of Four Dam Pool Debt Service	6,872	6,884	6,895	6,906	6,917	6,929	6,941
Contribution from Endowment	10,128	10,116	10,105	10,094	10,083	10,071	10,059
Total	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Expenditures							
PCE Expenditure Capped at $17 Million per Year	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Endowment							
Beginning of year balance	61,555	54,817	47,686	40,139	32,150	23,694	14,743
Interest earnings (6% of average balance)	3,389	2,986	2,558	2,106	1,627	1,120	583
Expenditure	10,128	10,116	10,105	10,094	10,083	10,071	10,059
End of year balance	54,817	47,686	40,139	32,150	23,694	14,743	5,267
Projected Four Dam Pool Debt Service:	11,454	11,473	11,491	11,510	11,529	11,549	11,568

1/27/99

ATTACHMENT 10

OPTION 3

MODIFIED PCE
DECLINING GENERAL FUND APPROPRIATIONS

OPTION 3

Power Cost Equalization / Modified and Capped
Projection of Revenues and Expenditures
(FY 2000 - 2013)

	2000	2001	2002	2003	2004	2005	2006
Revenues							
60% of Four Dam Pool Debt Service	5,527	6,551	6,626	6,700	6,775	6,850	6,862
Contribution from PCE Fund	9,473	8,449	8,374	8,300	8,225	8,150	8,138
Total	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Expenditures							
PCE Expenditure Capped at $15 Million per Year	15,000	15,000	15,000	15,000	15,000	15,000	15,000
PCE Fund							
FY 2000 Appropriation of SE Loan	20,000						
General Fund appropriations	15,000	12,500	10,000	7,500	5,000	2,500	0
Beginning of year balance	38,200	43,235	47,126	48,829	48,210	45,131	39,444
Interest earnings (6% of average balance)	2,008	2,341	2,576	2,681	2,646	2,463	2,122
Expenditure from PCE Fund	9,473	8,449	8,374	8,300	8,225	8,150	8,138
End of year balance	30,735	37,126	41,329	43,210	42,631	39,444	33,428
Projected Four Dam Pool Debt Service:	9,212 *	10,918	11,043	11,167	11,292	11,417	11,436

* (Estimate = $10.8 million debt service minus $1.6 million "self-help")

Notes:

All dollars in thousands.

PCE Fund balance = $3.2 million at end of FY99.

Four Dam Pool "self-help" estimated only for FY 2000.

1/27/99

OPTION 3

Power Cost Equalization / Modified and Capped
Projection of Revenues and Expenditures

	2007	2008	2009	2010	2011	2012	2013
Revenues							
60% of Four Dam Pool Debt Service	6,872	6,884	6,895	6,906	6,917	6,929	6,941
Contribution from PCE Fund	8,128	8,116	8,105	8,094	8,083	8,071	8,059
Total	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Expenditures							
PCE Expenditure Capped at $15 Million per Year	15,000	15,000	15,000	15,000	15,000	15,000	15,000
PCE Fund							
General Fund appropriations	0	0	0	0	0	0	0
Beginning of year balance	33,428	27,062	20,327	13,198	5,653	(2,333)	(10,786)
Interest earnings (6% of average balance)	1,762	1,380	976	549	97	(382)	(889)
Expenditure from PCE Fund	8,128	8,116	8,105	8,094	8,083	8,071	8,059
End of year balance	27,062	20,327	13,198	5,653	(2,333)	(10,786)	(19,734)
Projected Four Dam Pool Debt Service:	11,454	11,473	11,491	11,510	11,529	11,549	11,568

1/27/99

MRC

Minto Development Corporation

PO Box 70408 Fairbanks, AK 99707-0408
201 First Avenue, Suite 120 Fairbanks, AK 99701
907.452.8251 xt.7001 fax: 907.451.1561

February 13, 2012

Representatives Bryce Edgmon, Bob Herron, Neal Foster, & Cathy Munoz
Alaska State Legislature
State Capitol, Room 416
Juneau, AK 99801-1182

- Sent via email - Bryce_Edgmon@legis.state.ak.us

RE: Support Return of Power Cost Equalization V27-LS1107-A

Dear Representative Edgmon, et al,

The prolonged period of high fuel and energy costs has had a tremendous impact on rural Alaska. School district budgets have been forced to shift funding from education costs to cover the cost of heating fuel. Businesses have seen freight costs skyrocket and find they have to charge outrageous prices for staple goods just to break even. The strain has been especially poignant this past winter as bitter cold gripped much of the interior for an extended period.

Allowing power cost equalization to again assist the schools and rural stores lower their energy costs will greatly help to provide services and products to the people of rural Alaska. This legislation is very important, and we support your efforts to return PCE to the 1998 levels.

In addition, we hope that village councils that provide electric power generation, water and sewer as well as other public services are also included in the list of entities that will become eligible for PCE under this bill.

Thank you for the good work you do, as I remain,

Respectfully,

Marjorie Grunin

Marjorie Grunin
General Manager

Cc: Alaska House of Representatives

BRISTOL BAY NATIVE ASSOCIATION

P.O. BOX 310
DILLINGHAM, ALASKA 99576
PHONE (907) 842-5257

Friday, March 16, 2012

Representative Bryce Edgmon
House of Representatives
State Capitol, Room 416
Juneau AK, 99801

Tribal Councils Served by BBNA:

Aleknagik
Chignik Bay
Chignik Lagoon
Chignik Lake
Clarks Point
Curyung
Egegik
Ekuk
Ekwok
Igiugig
Iliamna
Ivanof Bay
Kanatak
King Salmon
Kokhanok
Koliganek
Levelock
Manokotak
Naknek
New Stuyahok
Newhalen
Nondalton
Pedro Bay
Perryville
Pilot Point
Port Heiden
Portage Creek
South Naknek
Togiak
Twin Hills
Ugashik

RE: Letter of Support for House Bill 294, "Returning Power Cost Equalization Program to 1998 Levels"

Dear Mr. Edgmon,

The Bristol Bay Native Association is writing to express support of House Bill 294 and its intent to return the Power Cost Equalization program to its 1998 levels.

The high and volatile price of energy is a serious issue for Bristol Bay. The average price of electricity for residential customers is .5967 per kWh, and we anticipate rates to only increase - the majority of electric utilities in the region are powered by diesel-fired generators. The high rates impact all payers, including schools and businesses, and any assistance to help lower their energy expenses would greatly help with the costs for goods and services.

In general, we recognize the critical need for energy assistance – it is the only way to deliver an immediate solution to a long-term and pervasive problem. We also recognize the importance of pursuing solutions to help fix the problem including, conservation and alternative energy projects that help offset the need for fossil fuels.

The Bristol Bay Native Association appreciates your backing of policies and programs that support energy assistance, and again would like to express our support of House Bill 294.

Sincerely,

Ralph Andersen
President & Chief Executive Officer

Cc: Senator Gary Stevens
Senator Lyman Hoffman
Representative Bryce Edgmon
Representative Alan Austerman

The Aleutian Pribilof Islands Association, on behalf of the 13 federally-recognized tribes and four Head Start sites in our region, wish to thank Representative Edgmon, the co-sponsors of House Bill 294.

It is important that Head Start programs be included as a part of the school system and the Power Cost Equalization Program be made available to rural Head Start programs regardless of if they are housed in school district buildings, standalone Head Start Facilities or utilized space in a tribal or other community facility. Rapidly escalating electrical costs have directly impacted rural Head Start programs ability to provide for basic program needs such as Health, Safety oversight and nutritional services. Inclusion of the Head Start in the PCE program will allow resources to return to providing for these basic and required services for Alaska's most vulnerable citizens, our children. We are encouraged by this bill and strongly urge it passage.

Testimony on HB 294 to the House Energy Committee February 14, 2012

Thank you Mr. Chairman,

My name is Robert Venables, Energy Coordinator for Southeast Conference (the State's regional development organization for southeast Alaska and the federally recognized Economic Development District).

Southeast Conference has worked since 1958 to advance the collective interests of the people, communities and businesses of the region with a mission to help develop strong economies, healthy communities and a quality environment in Southeast Alaska. Our Energy Committee continues to bring focus to the need to develop our vast renewable resources and displace diesel dependency – especially in our rural communities devastated by high energy costs, unemployment and outmigration.

And we thank the State Legislature for efforts to date that will bring about the long-term improvements in developing those renewable energy resources that will diminish, and hopefully someday displace the need for PCE as well.

But that day is not here yet. There are still communities with decimated economies that need help now. Businesses are hurting in rural communities like Hoonah – and they are disappearing in communities like Angoon and Kake. The costs of operating our schools here in southeast continue to increase in an era of diminished federal support. This legislation would be a life-saver to school districts and businesses in our most needy communities.

Perhaps HB 294 should be called the "Back to the Future" bill. It does not seek to establish a new program, but restores back to what was the original intent of the PCE program and give rural businesses a future and possibly survive. The program was understandably cut back during the days of $9/barrel oil. That is not the case today with oil prices well above historic averages.

HB 294 can help make a difference – and help now as we all work toward better long-term solutions. Thank you, Mr. Chairman for the many efforts you all are making on our region and state's behalf and for this opportunity to provide comment.

I am available for any questions.

AVEC
ALASKA VILLAGE ELECTRIC COOPERATIVE

February 14, 2012

House Energy Committee

Re: AVEC Testimony on HB 294

Honorable Committee Members,

Alaska Village Electric Cooperative would like to express support for HB 294, which seeks to restore Power Cost Equalization benefits to levels that existed before 1999.

PCE was established in 1984 in an effort to bring the cost of electricity to rural Alaskans – both households and businesses – to a level more or less equal to that enjoyed by urban Alaskans. This benefit was extended to the first 700 kWh for all non-government consumers.

In an effort to reduce the cost of the program, it was trimmed back several times by the legislature – first to reduce the number of beneficiaries by eliminating all but the first meter owned by a consumer, later to reduce the number of eligible kWh and then to eliminate commercial customers, and finally to increase the floor from the original 8 cents per kWh. The floor is now around 14 cents.

The cumulative impact of these changes over the years has resulted in the number of eligible kWh (and their associated cost) being reduced by about half. HB 294 seeks to restore the eligible kWh from the current 500 to the original 700 kWh and to restore eligibility to commercial customers.

Although it may appear that a 700 kWh benefit is of negligible impact to commercial customers, this is not the case. This would be an extremely meaningful benefit for thousands of Alaskans who are operating very modest businesses in their communities – creating jobs and multiplying the spending power of local dollars.

AVEC communities account for about one third of the state's PCE benefits - $11.3 million in CY2011. Analyzing our billing records for last year, we calculate that increasing the eligible kWh and adding back commercial consumers will result in an additional $4.28 million in PCE to our communities. If the ~100 school facilities are also included, that would add another $227,000, for a total increase of 40% to the program as it currently stands.

In FY10, the total cost of generating electricity in the PCE communities amounted to $157.6 million. PCE provided $30.6 million – less than 20%. Restoring part of the benefit that has been eliminated over the last two decades will result in the program cost increasing to about $43 million, still only 27% of the cost of delivering electricity in rural Alaska.

Your support is strongly encouraged.

Sincerely,

Meera Kohler
President and CEO

4831 Eagle Street * Anchorage, Alaska 99503 * Phone (907) 561-1818 * Toll-Free (800) 478-1818 * Fax: 907-562-4086 * www.avec.org

Statement by - Ed Phillips on Power Cost Equalization -- House Bill 294

Good afternoon. My name is Ed Phillips and I live and own a hotel in Hoonah I want to first thank you for providing me with this opportunity to speak and more importantly for having this conversation. . I am encouraged by House Bill 294 as it could most rapidly relieve some of the economic hardship plaguing diesel electric communities. I believe that left unaddressed, for economic reasons our communities will eventually disintegrate.

It may initially seem inconsistent but I also believe that the governments focus should continue to lean toward energy conservation. While naturally struggling with increasing electric bills the majority of our residents have little understanding where their energy is going or how to reduce consumption. A "weatherization" like program that goes directly into homes and identified wasteful equipment while helping to identify and possibly provide alternative solutions would ultimately reduce everyones costs. To help put it in perspective - A great deal on a $20 standard electric heater could cost over $700 a month to operate in one of our communities. In conversations with people it seems entirely possible that there could also be serious unidentified faulty electrical problems. A simple thing like a loose neutral or a defective outlet or device could also be needlessly wasting energy & jeopardizing lives. Solving these problems takes money and these electric customers are all too frequently barely able to pay their electric bills let alone solve the underlying problems. This situation is especially acute with our businesses.

After 12 years of struggling with energy costs operating a 13,000 square foot hotel in Hoonah I am especially relieved to hear that PCE eligibility may be returned to businesses. I believe that perpetuating this clearly unequal "Equalization" is "penny wise and pound foolish" and far more harmful to our communities than you may imagine. To be sustainable a community must have employment and financially stressed businesses have no choice but to reduce employment. Reduced jobs, services and goods available within the community are unavoidable. As idle time and frustrations mount social problems flourish along with all of its ramifications. In other words high energy costs have created a destructive progression that will not only destroy growth in our communities but also seriously stifle the growth of our State. Ultimately, the PCE inequality will increasingly concentrate people where energy is affordable and seriously undermine the growth of our vast State along with access to its abundant resources.

The best hope for decreasing the per KWH cost in our communities is by increasing the economies of scale for the utilities but that's not possible unless businesses are ennervated. That is impossible so long as vital electrical costs are toxic to business. The current strategy also causes the State to pay more subsidy per KWH while the communities progressively suffer. Stabilizing the cost of electricity is the one thing that government can do to help turn things around in our communities.

Obviously a single 700 KWH eligibility allowance would be a good start. Despite my best efforts to conserve the lodge averages 8,500 KWH per month so all businesses are certainly not equal. Nonetheless HB 296 would provide at least some welcome relief while resurrecting the

relationship. That way the State could be tracking and studying business consumption and also be best able to respond to save businesses and our rural communities if catastrophic price increases occur due to supply volatility.

It is both ironic and most opportune that the very thing that makes the State so fabulously rich is precisely what ails our communities. It would be quite logical and certainly fair for the Legislature to take some of the States good fortune and counter this ill effect directly caused by high oil prices. It should be considered nothing more than "fighting fire with fire".

Please, do not assume that I am being negative when I honestly strive to be more realistic than anything. I am hopeful that you will care about us when it is so easy to be "out of sight out of mind". You and the resources you control are the only hope for our businesses and communities. It is my hope that you will begin to realize that some of the surplus that you are considering using is to some degree born by the exclusion of businesses from PCE. That Power Cost "Equalization" could be made true and that our communities would have renewed hope for sustainable self-sufficiency as at least in the short term PCE appears to be our only hope… Ultimately with increased recognition of the true cost of the "temporary" PCE program will help spur the development of the energy conservation projects that would finally solve the underlying problems thus eliminating the need for the PCE program and burden to the State. Thanks.

Ed Phillips

(907) 209-4806

Adam Berg

From: Jim <jimer53@starband.net>
Sent: Tuesday, February 28, 2012 8:45 PM
To: Adam Berg
Subject: I am in support of HB 294

Follow Up Flag: Follow up
Flag Status: Completed

Dear Representative Adam Berg,

My name is James Erickson and I live in a rural community in southeast Alaska, Hoonah. I am a business owner.

It is my hope and prayer that one day soon the great state of Alaska will connect us all to a electrical intertie and I can live as an equal [rate payer] to some larger communities and pay a fair and equitable fee for electric power. And that we go ahead with such projects that we seem to just talk about right now such as Geothermal, wind, tidal and current power. And certainly the Hydro projects that seem to be lingering in thoughts and future plans.

I am hostage to diesel generators for power provided by IPEC southeast.

Being a small business owner I am at a strain every month to pay my electric bill; especially hard during the winter months when our customer base is little to nothing. My rates are currently at $0.61 and I have to pay regulatory costs and fuel surcharges, local taxes on top of that fee. If I am a day late for payment additional fees apply.

I pray that you and others will support HB 294 for at least a temporary fix. Small business's can't go on or be competitive in today's economy under this extreme cost hardship we endure. Your help is greatly needed and would be so appreciated with approval of this legislation.

Keep in mind that I employ 4 people (with family) during the winter months and twice that during the summer months when Alaska comes alive with activity. My business is every bit as important to them as it is to me and my wife and family, not to forget the support business structure.

On top of my electrical rates, I still have to buy heating oil to run the furnace and that is equally as bad as we all know. Energy is taking us down.

Finally, I live in hopes that some day our governing body will recognize that cheap and affordable power will propel our state into a global contender in business and exports. So many nations have done this from China to Norway and beyond. I know we can too as "Alaska".

I also believe energy is the chief reason so many of our younger people leave home and never come back to the state they grew up in.

Back to the point, Alaska needs to have PCE for small business to help us get by this struggle. HB 294 is good.

Thank you.

James Erickson - The Office Bar, LLC
PO Box 366
Hoonah, Alaska 99829

City of Hoonah
P.O. Box 360 Hoonah, AK 99829 (907) 945-3663 Fax (907) 945-3445

RESOLUTION NO. 12-03-05

A Resolution Expressing Support for House Bill 294 Relating to the Power Cost Equalization Program

WHEREAS, the entire community of Hoonah is dependent upon an electrical supply currently generated from diesel fuel, which is very costly to all consumers in our community; and

WHEREAS, the current structure of the Power Cost Equalization does NOT provide assistance to all users of such costly electricity including schools, and businesses; and

WHEREAS, communities throughout Alaska that rely on diesel generated electricity are in great need of immediate relief from the high cost of diesel generated electricity; and

WHEREAS, under the provisions of House Bill 294, the PCE program will raise the ceiling from 500 to 700 kilowatt-hours per month for customers under PCE and also add customers currently not eligible for PCE such as schools and businesses.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HOONAH, ALASKA: that the City of Hoonah fully supports House Bill 294 and urges passage by the Alaska Legislature and signature by the Governor.

PASSED AND APPROVED THIS 13 **DAY OF** March **2012.**

Mary J Erickson VM

Seferino Villarreal, Mayor of City of Hoonah

ATTEST:

Alice Williams

Alice Williams, City Clerk

VOTING:

Steve Brown	✓ yes	___ no
Mary Erickson	✓ yes	___ no
Alan Fisher Sr.	✓ yes	___ no
Nadine Morrison	✓ yes	___ no
Chris Erickson	✓ yes	___ no
Hope Anderson	___ yes	___ no