

SB

196

<TARGET><BILL>SB 196</BILL><SUBJECT>SB
196</SUBJECT><COMM>HFIN29</COMM></TARGET>

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSSB 196(FIN)
Fiscal Note Number:	1
(S) Publish Date:	4/11/2016

Identifier: SB196 SFIN Various 4-9-16
 Title: POWER COST EQ FUND: RESERVE
 ACCT;DIVIDEND
 Sponsor: HOFFMAN
 Requester: Senate Finance

Department: Various (for Fiscal Notes only)
 Appropriation: Various
 Allocation: Executive Branch
 OMB Component Number: 0

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund			(17,000.0)	(17,200.0)	(17,500.0)	(17,000.0)	(16,600.0)
1169 PCE Endow			17,000.0	17,200.0	17,500.0	17,000.0	16,600.0
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
---------------------------	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version. This fiscal note for information purposes only. Beginning in FY16, it assumes a six percent earnings rate and two percent program growth rate for each fiscal year. In FY18 through FY22, Power Cost Equalization Endowment funds (DGF) would be available to replace Unrestricted General Funds (UGF) expenditures for Community Assistance and Rural Energy Programs. Depending on actual earnings in a fiscal year the amount available to replace UGF will vary from zero to \$55 million.

Prepared By: Senator Kelly
Senate Finance Committee
Senator MacKinnon
Senate Finance Committee

Phone: (907)465-3709
 Date: 04/09/2016

**REPORTED OUT OF
SFC 04/11/2016**

Power Cost Equalization Endowment Fund -- Impacts of SB 196													
History and Projections (in Millions)													
Fiscal Year	Beginning Balance	Additional Deposits	Earnings Rate*	Earnings	Program Costs	2nd Prior Fiscal Year Earnings In Excess of Program Costs	Available for Allocation	Allocation to Community Assistance	Allocation to Rural Energy Programs	Remains PCE Fund	Ending Balance	3 Year Average Balance	% Payout (Program Costs Only)
				Growth	2%		% Allocation Maximum	50% 30.0	20% 25.0				
FY03											166.7		
FY04	166.7		12%	20.7	15.1						179.3		
FY05	179.3		9%	15.4	15.9						181.1		
FY06	181.1		8%	14.6	22.2						184.4		
FY07	184.4	182.7	24%	45.1	25.7						400.3		
FY08	400.3		-5%	-18.8	28.8						368.7	181.6	7.0%
FY09	368.7		-13%	-49.1	37.7						303.4	255.3	6.4%
FY10	303.4		13%	38.4	31.8						320.7	317.8	6.6%
FY11	320.7		21%	67.7	32.7						364.5	357.4	6.7%
FY12	364.5	400.0	3%	10.9	39.5						751.8	330.9	7.2%
FY13	751.8		15%	111.5	40.6						840.2	329.5	7.0%
FY14	840.2		20%	171.1	41.7						977.9	479.0	7.0%
FY15	977.9		3%	33.2	38.4						969.4	652.2	6.4%
FY16	969.4		6%	58.2	41.7						985.8	856.6	4.9%
FY17	985.8		6%	59.2	40.4	(7.2)	0.0	0.0	0.0	0.0	1,004.6	929.2	4.3%
FY18	1,004.6		6%	60.3	41.2	17.0	17.0	8.5	3.4	5.1	1,011.9	977.7	4.21%
FY19	1,011.9		6%	60.7	42.0	17.2	17.2	8.6	3.4	5.1	1,018.6	986.6	4.26%
FY20	1,018.6		6%	61.1	42.8	17.5	17.5	8.7	3.5	5.2	1,024.6	1,000.8	4.28%
FY21	1,024.6		6%	61.5	43.7	17.0	17.0	8.5	3.4	5.1	1,030.5	1,011.7	4.32%
FY22	1,030.5		6%	61.8	44.6	16.6	16.6	8.3	3.3	5.0	1,036.2	1,018.4	4.38%
FY23	1,036.2		6%	62.2	45.4	16.0	16.0	8.0	3.2	4.8	1,041.7	1,024.6	4.44%
FY24	1,041.7		6%	62.5	46.4	15.5	15.5	7.7	3.1	4.6	1,047.0	1,030.5	4.50%
FY25	1,047.0		6%	62.8	47.3	14.9	14.9	7.4	3.0	4.5	1,052.1	1,036.1	4.56%
FY26	1,052.1		6%	63.1	48.2	14.3	14.3	7.1	2.9	4.3	1,057.0	1,041.6	4.63%
FY27	1,057.0		6%	63.4	49.2	13.6	13.6	6.8	2.7	4.1	1,061.7	1,047.0	4.70%
TOTAL								79.8	31.9	47.9			

*Earnings Rate - FY16 estimated to be 6%. For FY17-FY27, the earnings rate is copied forward from FY04-FY15 for illustration purposes only. Per AS 42.45.085, the payout for a FY is determined on July 1 by the avg for the first 3 of the preceding 4 years.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSSB 196(FIN)
Fiscal Note Number:	2
(S) Publish Date:	4/11/2016

Identifier: SB196CS(FIN)-DCCED-AEA-04-10-16
 Title: POWER COST EQ FUND: RESERVE
 ACCT;DIVIDEND
 Sponsor: HOFFMAN
 Requester: (S) Finance

Department: Department of Commerce, Community and
 Economic Development
 Appropriation: Alaska Energy Authority
 Allocation: Alaska Energy Authority Power Cost Equalization
 OMB Component Number: 2602

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
---------------------------	--	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This is a zero fiscal note. No change from the initial version.

Prepared By: Sara Fisher-Goad, Executive Director
 Division: Alaska Energy Authority
 Approved By: Catherine Reardon, Director
 Agency: Division of Administrative Services, DCCED

Phone: (907)771-3012
 Date: 04/10/2016 05:00 PM
 Date: 04/10/16

REPORTED OUT OF
 SFC 04/11/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

This bill reduces the amount made available from the Power Cost Equalization Endowment Fund from seven percent of the three year average monthly market value of the fund to five percent.

If the amount appropriated is insufficient to achieve the designated purposes, the amount shall be prorated among funding for the power cost equalization and rural electric capitalization fund and reimbursement to the Department of Revenue for the costs of establishing and managing the fund.

If the Endowment Fund earnings determined on July 1 for the previous closed fiscal year exceed the appropriation for the designated purposes, the legislature may appropriate the difference as follows:

- 1) 50% or \$30,000,000, whichever is less, to a community revenue sharing or community assistance fund;
- 2) 30% or \$25,000,000, whichever is less, to the renewable energy grant fund (AS 42.45.045), to the bulk fult revolving loan fund (AS 42.45.250), or for rural power system upgrades; and
- 3) to the power cost equalization endowment fund (AS 42.45.070), the amount not otherwise allocated under this subsection.

For illustration purposes, the impact of this bill in terms of computing the amount available for appropriation in FY2017 is as follows:

Average monthly market value (July 2013 - June 2015):	\$ 899,064,329
Seven percent of the average monthly market value:	\$ 62,934,503
<i>as compared to:</i>	
Five percent of the average monthly market value:	\$ 44,953,216
The estimated costs of funding the PCE program for FY2017 are	\$ 40,355,000.

In years where the amount available for appropriation is determined to be less than it takes to fund the PCE Program, AEA will prorate the costs of the program.

The PCE Endowment Fund earnings for FY2015 were \$33,192,304. Therefore, no funds would be made available for the designated purposes in Section 3. (d) of the proposed bill.

HOUSE CS FOR CS FOR SENATE BILL NO. 196(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS HOFFMAN, MacKinnon, Bishop, Olson, Stedman, Stevens, McGuire, Micciche
REPRESENTATIVES Edgmon, Muñoz, Herron

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the amount appropriated for power cost equalization; relating to the
2 use of certain unexpended earnings from the power cost equalization endowment fund;
3 and providing for an effective date."

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

5 * Section 1. AS 42.45.080(c) is amended to read:

6 (c) On July 1 of each year, the commissioner shall determine

7 (1) the monthly average market value of the fund for the previous three
8 closed fiscal years; and

9 (2) the earnings of the fund for the previous closed fiscal year.

10 * Sec. 2. AS 42.45.085(a) is amended to read:

11 (a) Five [SEVEN] percent of the amount determined by the commissioner of
12 revenue on July 1 of each year under AS 42.45.080(c)(1) [AS 42.45.080(c)] may be
13 appropriated [FOR THE FISCAL YEAR BEGINNING THE FOLLOWING JULY 1]
14 for the following purposes:

15 (1) funding the power cost equalization and rural electric capitalization

1 fund (AS 42.45.100);

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

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

5 * **Sec. 3.** AS 42.45.085 is amended by adding new subsections to read:

6 (c) If the amount appropriated under (a) of this section is insufficient to
7 achieve the purposes of (a)(1) - (3) of this section, the amount shall be prorated among
8 the purposes listed in (a)(1) and (2) of this section.

9 (d) If the earnings of the fund for the previous closed fiscal year, as calculated
10 under AS 42.45.080(c)(2), exceed the appropriation under (a) of this section for the
11 current fiscal year, the legislature may appropriate the difference between the earnings
12 of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2)
13 and the appropriation made under (a) of this section for the current fiscal year as
14 follows:

15 (1) if the amount calculated under this subsection is less than
16 \$30,000,000, that amount to a community revenue sharing or community assistance
17 fund;

18 (2) if the amount calculated under this subsection is at least
19 \$30,000,000 but less than \$80,000,000,

20 (A) \$30,000,000, to a community revenue sharing or
21 community assistance fund; and

22 (B) 50 percent of the remaining amount to the renewable
23 energy grant fund established under AS 42.45.045, to the bulk fuel revolving
24 loan fund established under AS 42.45.250, or for rural power system upgrades
25 or to a combination of the funds or purposes listed in this subparagraph; and

26 (C) 50 percent of the remaining amount to the power cost
27 equalization endowment fund established under AS 42.45.070; or

28 (3) if the amount calculated under this subsection is at least
29 \$80,000,000,

30 (A) \$30,000,000, to a community revenue sharing or
31 community assistance fund;

1
2
3
4
5
6
7

(B) \$25,000,000, to the renewable energy grant fund established under AS 42.45.045, to the bulk fuel revolving loan fund established under AS 42.45.250, or for rural power system upgrades or to a combination of the funds or purposes listed in this subparagraph; and

(C) . the remaining amount to the power cost equalization endowment fund established under AS 42.45.070.

* **Sec. 4.** This Act takes effect June 30, 2016.

*Adopted
4/16/16*

29-LS1383R
Nauman
4/16/16

HOUSE CS FOR CS FOR SENATE BILL NO. 196(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS HOFFMAN, MacKinnon, Bishop, Olson, Stedman, Stevens, McGuire, Micciche
REPRESENTATIVES Edgmon, Muñoz, Herron

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to the amount appropriated for power cost equalization; relating to the**
2 **use of certain unexpended earnings from the power cost equalization endowment fund;**
3 **and providing for an effective date."**

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

5 * **Section 1.** AS 42.45.080(c) is amended to read:
6 (c) On July 1 of each year, the commissioner shall determine
7 **(1)** the monthly average market value of the fund for the previous three
8 **closed** fiscal years; **and**
9 **(2)** **the earnings of the fund for the previous closed fiscal year.**

10 * **Sec. 2.** AS 42.45.085(a) is amended to read:
11 (a) **Five** [SEVEN] percent of the amount determined by the commissioner of
12 revenue on July 1 of each year under **AS 42.45.080(c)(1)** [AS 42.45.080(c)] may be
13 appropriated [FOR THE FISCAL YEAR BEGINNING THE FOLLOWING JULY 1]
14 for the following purposes:

15 (1) funding the power cost equalization and rural electric capitalization

1 fund (AS 42.45.100);

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

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

5 * **Sec. 3.** AS 42.45.085 is amended by adding new subsections to read:

6 (c) If the amount appropriated under (a) of this section is insufficient to
7 achieve the purposes of (a)(1) - (3) of this section, the amount shall be prorated among
8 the purposes listed in (a)(1) and (2) of this section.

9 (d) If the earnings of the fund for the previous closed fiscal year, as calculated
10 under AS 42.45.080(c)(2), exceed the appropriation under (a) of this section for the
11 current fiscal year, the legislature may appropriate the difference between the earnings
12 of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2)
13 and the appropriation made under (a) of this section for the current fiscal year as
14 follows:

15 (1) if the amount calculated under this subsection is less than
16 \$30,000,000, that amount to a community revenue sharing or community assistance
17 fund;

18 (2) if the amount calculated under this subsection is at least
19 \$30,000,000 but less than \$80,000,000,

20 (A) \$30,000,000, to a community revenue sharing or
21 community assistance fund; and

22 (B) 50 percent of the remaining amount to the renewable
23 energy grant fund established under AS 42.45.045, to the bulk fuel revolving
24 loan fund established under AS 42.45.250, or for rural power system upgrades
25 or to a combination of the funds or purposes listed in this subparagraph; and

26 (C) 50 percent of the remaining amount to the power cost
27 equalization endowment fund established under AS 42.45.070; or

28 (3) if the amount calculated under this subsection is at least
29 \$80,000,000,

30 (A) \$30,000,000, to a community revenue sharing or
31 community assistance fund;

1
2
3
4
5
6
7

(B) \$25,000,000, to the renewable energy grant fund established under AS 42.45.045, to the bulk fuel revolving loan fund established under AS 42.45.250, or for rural power system upgrades or to a combination of the funds or purposes listed in this subparagraph; and

(C) the remaining amount to the power cost equalization endowment fund established under AS 42.45.070.

* **Sec. 4.** This Act takes effect June 30, 2016.

ADOPTED
4-16-16

29-LS1383\U

CS FOR SENATE BILL NO. 196(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/11/16

Referred: Rules

Sponsor(s): SENATORS HOFFMAN, MacKinnon, Bishop, Olson, Stedman, Stevens, McGuire, Micciche

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the amount appropriated for power cost equalization; relating to the**
2 **use of certain unexpended earnings from the power cost equalization endowment fund;**
3 **and providing for an effective date."**

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

5 * **Section 1.** AS 42.45.080(c) is amended to read:

6 (c) On July 1 of each year, the commissioner shall determine

7 **(1) the monthly average market value of the fund for the previous three**
8 **closed fiscal years; and**

9 **(2) the earnings of the fund for the previous closed fiscal year.**

10 * **Sec. 2.** AS 42.45.085(a) is amended to read:

11 (a) **Five** [SEVEN] percent of the amount determined by the commissioner of
12 revenue on July 1 of each year under AS 42.45.080(c)(1) may be appropriated [FOR
13 THE FISCAL YEAR BEGINNING THE FOLLOWING JULY 1] for the following
14 purposes:

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

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

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

6 * **Sec. 3.** AS 42.45.085 is amended by adding new subsections to read:

7 (c) If the amount appropriated under (a) of this section is insufficient to
8 achieve the purposes of (a)(1) - (3) of this section, the amount shall be prorated among
9 the purposes listed in (a)(1) and (2) of this section.

10 (d) If the earnings of the fund for the previous closed fiscal year, as calculated
11 under AS 42.45.080(c)(2), exceed the appropriation under (a) of this section for the
12 current fiscal year, the legislature may appropriate the difference between the earnings
13 of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2)
14 and the appropriation made under (a) of this section for the current fiscal year as
15 follows:

16 (1) to a community revenue sharing or community assistance fund, 50
17 percent or \$30,000,000, whichever is less;

18 (2) to the renewable energy grant fund established under
19 AS 42.45.045, to the bulk fuel revolving loan fund established under AS 42.45.250, or
20 for rural power system upgrades, 20 percent or \$25,000,000, whichever is less;

21 (3) to the power cost equalization endowment fund established under
22 AS 42.45.070, the amount not otherwise allocated under this subsection.

23 * **Sec. 4.** This Act takes effect June 30, 2016.

*Adopted
4/16/16*

29-LS1383VT
Nauman
4/15/16

HOUSE CS FOR CS FOR SENATE BILL NO. 196(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS HOFFMAN, MacKinnon, Bishop, Olson, Stedman, Stevens, McGuire, Micciche

REPRESENTATIVES Edgmon, Muñoz, Herron

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the amount appropriated for power cost equalization; relating to the**
2 **use of certain unexpended earnings from the power cost equalization endowment fund;**
3 **and providing for an effective date."**

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

5 *** Section 1.** AS 42.45.080(c) is amended to read:

- 6 (c) On July 1 of each year, the commissioner shall determine
- 7 **(1)** the monthly average market value of the fund for the previous three
- 8 **closed** fiscal years; **and**
- 9 **(2) the earnings of the fund for the previous closed fiscal year.**

10 *** Sec. 2.** AS 42.45.085(a) is amended to read:

- 11 (a) **Five** [SEVEN] percent of the amount determined by the commissioner of
- 12 revenue on July 1 of each year under **AS 42.45.080(c)(1)** [AS 42.45.080(c)] may be
- 13 appropriated [FOR THE FISCAL YEAR BEGINNING THE FOLLOWING JULY 1]
- 14 for the following purposes:

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

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

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

6 * **Sec. 3.** AS 42.45.085 is amended by adding new subsections to read:

7 (c) If the amount appropriated under (a) of this section is insufficient to
8 achieve the purposes of (a)(1) - (3) of this section, the amount shall be prorated among
9 the purposes listed in (a)(1) and (2) of this section.

10 (d) If the earnings of the fund for the previous closed fiscal year, as calculated
11 under AS 42.45.080(c)(2), exceed the appropriation under (a) of this section for the
12 current fiscal year, the legislature may appropriate the difference between the earnings
13 of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2)
14 and the appropriation made under (a) of this section for the current fiscal year as
15 follows:

16 (1) if the amount calculated under this subsection is less than
17 \$30,000,000, that amount to a community revenue sharing or community assistance
18 fund;

19 (2) if the amount calculated under this subsection is at least
20 \$30,000,000 but less than \$55,000,000,

21 (A) \$30,000,000, to a community revenue sharing or
22 community assistance fund; and

23 (B) the remaining amount to the renewable energy grant fund
24 established under AS 42.45.045, to the bulk fuel revolving loan fund
25 established under AS 42.45.250, or for rural power system upgrades or to a
26 combination of the funds or purposes listed in this subparagraph; or

27 (3) if the amount calculated under this subsection is at least
28 \$55,000,000,

29 (A) \$30,000,000, to a community revenue sharing or
30 community assistance fund;

31 (B) \$25,000,000, to the renewable energy grant fund

1 established under AS 42.45.045, to the bulk fuel revolving loan fund
2 established under AS 42.45.250, or for rural power system upgrades or to a
3 combination of the funds or purposes listed in this subparagraph; and

4 (C) the remaining amount to the power cost equalization
5 endowment fund established under AS 42.45.070.

6 * **Sec. 4.** This Act takes effect June 30, 2016.



Senator Lyman F. Hoffman

Senate Finance Committee Member

Alaska State Legislature * State Capital * Juneau, AK 99801-1182
Toll Free 1-866-465-4453 * (907) 465-4453 * Fax (907) 465-4523

District S

Adak
Akiachak
Akiak
Akutan
Aleknagik
Aniak
Anvik
Atka
Atmauthluak
Attu Station
Bethel
Chefornak
Chignik
Chignik Lagoon
Chignik Lake
Chuathbaluk
Clark's Point
Cold Bay
Crooked Creek
Dillingham
Dutch Harbor
Eek
Egegik
Ekwok
False Pass
Flat
Goodnews Bay
Grayling
Holy Cross
Igiugig
Iliamna
Ivanof Bay
Kasigluk
King Cove
King Salmon
Kipnuk
Kokhanok
Koliganek
Kongiganak
Kwethluk
Kwigillingok
Lake Minchumina
Levelock
Lime Village
Lower Kalskag
Manokotak
Marshall
McGrath
Mekoryuk
Mertarvik
Naknek
Napakiak
Napaskiak
Nelson Lagoon
Newhalen
New Stuyahok
Newtok
Nightmute
Nikolai
Nikolski
Nondalton
Nunapitchuk
Oscarville
Pedro Bay
Perryville
Pilot Point
Platinum
Pope-Vannoy Landing
Port Alsworth
Port Heiden
Portage Creek
Quinhagak
Red Devil
Russian Mission
Saint George Island
Saint Paul Island
Sand Point
Shageluk
Sleetmute
South Naknek
Stony River
Taktotna
Togiak
Toksook Bay
Tuntutuliak
Tununak
Twin Hills
Ugashik
Unalaska
Upper Kalskag

SB 196

“An Act relating to the use of certain unexpended earnings from the power cost equalization endowment fund.”

The Power Cost Equalization program has evolved much in its 36 years of existence. It began in 1980 as the Power Production Cost Assistance program serving 66 communities. It changed to the Power Cost Assistance Program, and then in 1984, to the PCE program we know today, currently serving 190 communities. It is a rural lifeline program with a funding formula tied to utility costs and rates thereby reducing electricity rates that residential customers and community facilities pay.

Through the early years, funding the program with general funds became a challenge as world oil prices sharply decreased, which lowered state revenues. In an attempt to help sustain the program, legislation in 2000 established the Power Cost Equalization Endowment Fund which appropriated \$100 million.

The Power Cost Endowment Fund was designed to fully fund the Power Cost Equalization Program off of earnings of the endowment and without general funds. Additional deposits were needed to bring the fund into full realization. Now that this has been achieved it makes sense to use the excess earnings, when available, for other state purposes.

After fully funding the PCE Program, SB 196 provides an avenue for excess earnings of the PCE endowment fund, to be utilized for other state purposes while protecting the corpus of the fund to ensure future PCE Program payouts.

SB 196 proposes that the fund's excess earnings will be made available for appropriation in the following manner:

- 1) 50% not to exceed 30 million of the excess earnings will go to the Community Assistance Program
- 2) 20% not to exceed 25 million will go to the Renewable Energy Fund, the Bulk Fuel Revolving Loan Fund and the Rural Power System Upgrades
- 3) The remainder will go back into the corpus of the fund to protect it in case of lower than expected earnings into the future.

A healthy fund will continue helping Alaskan citizens better afford the high costs of energy while also contributing back to the state in the form of Community Assistance and energy projects across the State.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 12, 2016

SUBJECT: Sectional Summary of CSSB 196(FIN)
(Work Order No. 29-LS1383\U)

TO: Senator Lyman Hoffman
Attn: Tim Grussendorf

FROM: Emily Nauman 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1 adds a new requirement to AS 42.45.080(c), that the commissioner of revenue determine the earnings on the power cost equalization endowment fund (PCE fund) for the previous closed fiscal year.

Section 2 decreases the amount that may be appropriated from the power cost equalization fund for the purposes described in that section from seven percent to five percent of the average market value of the fund for the previous three fiscal years.

Section 3 adds two new subsections to AS 42.45.085. New subsection (c) prorates the amount appropriated under AS 43.55.085(a) among the purposes listed in (a)(1) and (2) of that section if it is insufficient to achieve the purposes listed in AS 43.55.085(a). New subsection (d) sets the amounts and caps on the amounts the legislature may appropriate from the part of the annual fiscal year earnings of the PCE fund in excess of the appropriation under AS 42.45.085(a) to a community revenue sharing or community assistance fund, to the renewable energy grant fund, the bulk fuel revolving loan fund, to the power cost equalization fund, or for rural power system upgrades.

Section 4 gives the bill a June 30, 2016, effective date.

If I may be of further assistance, please advise.

ELN:lem
16-336.lem

Power Cost Equalization Endowment Fund -- Impacts of SB 196

History and Projections (in Millions)

Fiscal Year	Beginning Balance	Additional Deposits	Earnings Rate*	Earnings	Program Costs	2nd Prior Fiscal Year Earnings In Excess of Program Costs	Available for Allocation	Allocation to Community Assistance	Allocation to Rural Energy Programs	Remains PCE Fund	Ending Balance	3 Year Average Balance	% Payout (Program Costs Only)
				Growth	2%		Maximum	30.0	25.0				
FY03											166.7		
FY04	166.7		12%	20.7	15.1						179.3		
FY05	179.3		9%	15.4	15.9						181.1		
FY06	181.1		8%	14.6	22.2						184.4		
FY07	184.4	182.7	24%	45.1	25.7						400.3		
FY08	400.3		-5%	-18.8	28.8						368.7	181.6	7.0%
FY09	368.7		-13%	-49.1	37.7						303.4	255.3	6.4%
FY10	303.4		13%	38.4	31.8						320.7	317.8	6.6%
FY11	320.7		21%	67.7	32.7						364.5	357.4	6.7%
FY12	364.5	400.0	3%	10.9	39.5						751.8	330.9	7.2%
FY13	751.8		15%	111.5	40.6						840.2	329.5	7.0%
FY14	840.2		20%	171.1	41.7						977.9	479.0	7.0%
FY15	977.9		3%	33.2	38.4						969.4	652.2	6.4%
FY16	969.4		6%	58.2	41.7						985.8	856.6	4.9%
FY17	972.3		12%	120.6	40.4	(7.2)	0.0	0.0	0.0	0.0	1,052.6	929.2	4.3%
FY18	1,052.6		9%	90.3	41.2	17.0	17.0	17.0	0.0	0.0	1,084.7	977.7	4.21%
FY19	1,084.7		8%	87.4	42.0	78.6	78.6	30.0	25.0	23.6	1,075.0	1,002.6	4.19%
FY20	1,075.0		24%	263.0	42.8	47.4	47.4	30.0	17.4	0.0	1,247.8	1,041.0	4.11%
FY21	1,247.8		-5%	-58.5	43.7	43.7	43.7	30.0	13.7	0.0	1,102.0	1,070.7	4.08%
FY22	1,102.0		-13%	-146.7	44.6	218.5	218.5	30.0	25.0	163.5	855.7	1,135.8	3.92%
FY23	855.7		13%	108.3	45.4	(103.9)	0.0	0.0	0.0	0.0	918.5	1,141.6	3.98%
FY24	918.5		21%	193.8	46.4	(193.1)	0.0	0.0	0.0	0.0	1,065.9	1,068.5	4.34%
FY25	1,065.9		3%	32.0	47.3	61.0	61.0	30.0	25.0	6.0	995.7	958.7	4.93%
FY26	995.7		15%	147.7	48.2	145.5	145.5	30.0	25.0	90.5	1,040.1	946.7	5.09%
FY27	1,040.1		20%	211.8	49.2	(17.2)	0.0	0.0	0.0	0.0	1,202.7	993.4	4.95%
							TOTAL	197.0	131.1	283.6			

*Earnings Rate - FY16 estimated to be 6%. For FY17-FY27, the earnings rate is copied forward from FY04-FY15 for illustration purposes only.
Per AS 42.45.085, the payout for a FY is determined on July 1 by the avg for the first 3 of the preceding 4 years.

Power Cost Equalization Endowment Fund -- Impacts of SB 196 CS HFIN

History and Projections (in Millions)

Fiscal Year	Beginning Balance	Additional Deposits	Earnings Rate*	Earnings	Program Costs	2nd Prior Fiscal Year Earnings In Excess of Program Costs	Available for Allocation	Allocation to Community Assistance	Allocation to Rural Energy Programs	Remains PCE Fund	Ending Balance	3 Year Average Balance	% Payout (Program Costs Only)
				Growth	2%		Maximum	30.0	25.0				
FY03											166.7		
FY04	166.7		12%	20.7	15.1						179.3		
FY05	179.3		9%	15.4	15.9						181.1		
FY06	181.1		8%	14.6	22.2						184.4		
FY07	184.4	182.7	24%	45.1	25.7						400.3		
FY08	400.3		-5%	-18.8	28.8						368.7	181.6	7.0%
FY09	368.7		-13%	-49.1	37.7						303.4	255.3	6.4%
FY10	303.4		13%	38.4	31.8						320.7	317.8	6.6%
FY11	320.7		21%	67.7	32.7						364.5	357.4	6.7%
FY12	364.5	400.0	3%	10.9	39.5						751.8	330.9	7.2%
FY13	751.8		15%	111.5	40.6						840.2	329.5	7.0%
FY14	840.2		20%	171.1	41.7						977.9	479.0	7.0%
FY15	977.9		3%	33.2	38.4						969.4	652.2	6.4%
FY16	969.4		6%	58.2	41.7						985.8	856.6	4.9%
FY17	972.3		6%	58.3	40.4	(7.2)	0.0	0.0	0.0	0.0	990.3	929.2	4.3%
FY18	990.3		6%	59.4	41.2	17.0	17.0	17.0	0.0	0.0	991.6	977.7	4.21%
FY19	991.6		6%	59.5	42.0	16.4	16.4	16.4	0.0	0.0	992.7	981.9	4.28%
FY20	992.7		6%	59.6	42.8	16.6	16.6	16.6	0.0	0.0	992.9	989.3	4.33%
FY21	992.9		6%	59.6	43.7	15.8	15.8	15.8	0.0	0.0	993.0	991.6	4.41%
FY22	993.0		6%	59.6	44.6	15.0	15.0	15.0	0.0	0.0	993.0	992.4	4.49%
FY23	993.0		6%	59.6	45.4	14.1	14.1	14.1	0.0	0.0	993.0	992.9	4.58%
FY24	993.0		6%	59.6	46.4	13.2	13.2	13.2	0.0	0.0	993.0	992.9	4.67%
FY25	993.0		6%	59.6	47.3	12.3	12.3	12.3	0.0	0.0	993.0	993.0	4.76%
FY26	993.0		6%	59.6	48.2	11.4	11.4	11.4	0.0	0.0	993.0	993.0	4.86%
FY27	993.0		6%	59.6	49.2	10.4	10.4	10.4	0.0	0.0	993.0	993.0	4.95%
							TOTAL	142.2	0.0	0.0			

*Earnings Rate - FY16 estimated to be 6%. For FY17-FY27, the earnings rate is copied forward from FY04-FY15 for illustration purposes only. Per AS 42.45.085, the payout for a FY is determined on July1 by the avg for the first 3 of the preceding 4 years.

Power Cost Equalization Endowment Fund -- Impacts of SB 196

History and Projections (in Millions)

Fiscal Year	Beginning Balance	Additional Deposits	Earnings Rate*	Earnings	Program Costs	2nd Prior Fiscal Year Earnings In Excess of Program Costs	Available for Allocation	Allocation to Community Assistance	Allocation to Rural Energy Programs	Remains PCE Fund	Ending Balance	3 Year Average Balance	% Payout (Program Costs Only)
				Growth	2%		% Allocation Maximum	50% 30.0	20% 25.0				
FY03											166.7		
FY04	166.7		12%	20.7	15.1						179.3		
FY05	179.3		9%	15.4	15.9						181.1		
FY06	181.1		8%	14.6	22.2						184.4		
FY07	184.4	182.7	24%	45.1	25.7						400.3		
FY08	400.3		-5%	-18.8	28.8						368.7	181.6	7.0%
FY09	368.7		-13%	-49.1	37.7						303.4	255.3	6.4%
FY10	303.4		13%	38.4	31.8						320.7	317.8	6.6%
FY11	320.7		21%	67.7	32.7						364.5	357.4	6.7%
FY12	364.5	400.0	3%	10.9	39.5						751.8	330.9	7.2%
FY13	751.8		15%	111.5	40.6						840.2	329.5	7.0%
FY14	840.2		20%	171.1	41.7						977.9	479.0	7.0%
FY15	977.9		3%	33.2	38.4						969.4	652.2	6.4%
FY16	969.4		6%	58.2	41.7						985.8	856.6	4.9%
FY17	985.8		12%	122.2	40.4	(7.2)	0.0	0.0	0.0	0.0	1,067.7	929.2	4.3%
FY18	1,067.7		9%	91.6	41.2	17.0	17.0	8.5	3.4	5.1	1,106.2	977.7	4.21%
FY19	1,106.2		8%	89.1	42.0	80.3	80.3	30.0	16.1	34.2	1,107.3	1,007.7	4.17%
FY20	1,107.3		24%	270.9	42.8	48.7	48.7	24.4	9.7	14.6	1,301.3	1,053.3	4.07%
FY21	1,301.3		-5%	-61.0	43.7	45.4	45.4	22.7	9.1	13.6	1,164.9	1,093.8	3.99%
FY22	1,164.9		-13%	-155.1	44.6	226.4	226.4	30.0	25.0	171.4	910.2	1,171.6	3.80%
FY23	910.2		13%	115.2	45.4	(106.4)	0.0	0.0	0.0	0.0	979.9	1,191.1	3.82%
FY24	979.9		21%	206.7	46.4	(201.5)	0.0	0.0	0.0	0.0	1,140.3	1,125.4	4.12%
FY25	1,140.3		3%	34.2	47.3	67.9	67.9	30.0	13.6	24.3	1,083.6	1,018.3	4.64%
FY26	1,083.6		15%	160.7	48.2	158.5	158.5	30.0	25.0	103.5	1,141.1	1,010.1	4.77%
FY27	1,141.1		20%	232.4	49.2	(15.0)	0.0	0.0	0.0	0.0	1,324.3	1,067.9	4.61%
							TOTAL	175.6	101.9	366.7			

*Earnings Rate - FY16 estimated to be 6%. For FY17-FY27, the earnings rate is copied forward from FY04-FY15 for illustration purposes only.
Per AS 42.45.085, the payout for a FY is determined on July1 by the avg for the first 3 of the preceding 4 years.



Alaska Power Association
703 West Tudor Road, Suite 200
Anchorage, Alaska 99503-6650
(907) 771-5700
Fax: (907) 561-5547
www.alaskapower.org

April 13, 2016

Honorable Members of the House Finance Committee
Alaska State Capitol
Juneau, Alaska 99801

Dear House Finance Committee members:

Alaska Power Association (APA), our state's electric utility trade association, supports Senate Bill 196, which would protect funding for the Power Cost Equalization Program (PCE) while allowing appropriation of funds from the PCE Endowment for other valuable purposes.

APA members believe this legislation will allow the PCE program to continue providing a vital measure of relief to ratepayers in communities throughout our state where electric rates are the highest, while sharing benefits with the revenue sharing, the Renewable Energy Grant Fund as well as the PCE Endowment. This distribution of benefits is especially important in these difficult financial times.

We would also like to note that programs such as the Renewable Energy Grant Fund serve to help alleviate high electric energy costs by furthering development of affordable, green energy technologies. Many APA members have integrated hydroelectric power and wind into their systems through funding from the Renewable Energy Grant Fund.

Through SB 196, work could continue on renewable energy systems that will positively impact electric consumers for generations to come.

APA member utilities serve communities from Barrow to Unalaska, through the Interior and Southcentral and down the Inside Passage. We appreciate your decades-long leadership in assisting our home grown industry with providing affordable and reliable electric power to Alaskans. Your support of SB 196 continues these collaborative efforts, and we urge passage of this legislation.

Sincerely,

Crystal Enkvist
Executive Director