

LEG. FINANCE - BILLS 1977 - 1978 699

HB 285 cont., thru HB 289

STATE
of ALASKA~~MEMORANDUM~~ALASKA PUBLIC UTILITIES COMMISSION
1100 Mackay Building - 538 Denali Street
Anchorage, Alaska 99501TO: Sue Greene
Office of the Governor

DATE : February 7, 1977

FROM: Carolyn S. Guess, Commissioner
*CSG*SUBJECT: AVEC Cost-of-Service Study
by the APUC

A cost-of-service study of the Alaska Village Electric Cooperative, Inc. (AVEC), service area will include accounting, engineering and a management audit. The accounting and engineering work will provide data on a village-by-village basis including the cost to provide each class of user (residential, commercial, school, public buildings, street lights) with electric service.

The management audit will address the present practice of the AVEC operation in order to determine whether the systems currently used allow AVEC to function in the most efficient manner. In addition, this part of the study should address the quality of service that is being provided, the ways to improve the service, and (in conjunction with the engineers and accountants) the cost to bring substandard service to a reasonable and reliable level. One of the more important problems which this aspect of the study must address is the impact of load growth on existing AVEC systems from HUD housing units, the upgrading by the Public Health Service of existing facilities, the village sewer and water systems, and the construction and additions to school buildings. Examination of the original OEO conditions placed upon AVEC which are still in effect must be analyzed to determine the effect of imposing self-help constraints on an organization required to provide electric services. The training of plant operators at the Seward Skill Center should be evaluated in terms of the skills necessary to provide operation of the generation facility in the village.

The following is an educated estimate of a total cost-of-service study of AVEC under the direction of the Alaska Public Utilities Commission (APUC). A utility financial analyst will be assigned by the Commission to coordinate the project and to report directly to one of the Commissioners. In addition, an APUC engineer specializing in electric generation will give direction to the engineering aspects of the study. It is assumed that the accounting and engineering components of the AVEC study will be contracted to experienced firms within Alaska. At the present time it is not known who, other than SCS Boeing, may be interested in conducting the management audit.

Three staff of the APUC have spent 15 hours going through the data that is available in the Anchorage headquarters of AVEC. The accounting and engineering estimates are based on their findings and analysis of the work necessary to provide the cost of service by village.

WORK TO BE DONE IN ANCHORAGE

Accounting

The end product will provide the data on which the APUC can determine just and reasonable rates for the AVEC system. It will also give the policy makers the costs to provide electric service by village; by REAA district, by geographical location and by the entire system (and other groupings if desired).

Of the existing plant in service, two-thirds has not been classified according to the Uniform System of Accounts (classified as to generation, transmission, distribution and general categories). A portion of each classified category must be allocated to each village. A revenue requirement for each village cannot be determined until this is done. The estimate for this part of the study is:

Four accountants at \$150* per hour=
\$6,000 per week=
\$72,000 for 12 weeks

*(1 supervisor at \$60 per hour; 1 at \$40 per hour and 2 at \$25 per hour)

The accounting records of AVEC's operating expenses are kept on a system-wide basis. In order to determine the revenue requirements of each village, these expenses will have to be broken down and allocated to each village. For rate-making purposes, operating expenses are determined, normalized for a test-year period, and proforma adjustments are made when there are known and measurable changes. It is assumed that the test year to be used will coincide with the interim request for rate relief presently before the Commission (July, 1975-July, 1976). The estimate for this portion of the study is:

Four accountants at \$115* per hour=
\$4,600 per week=
\$55,200 for 12 weeks

*(1 accountant at \$40 per hour; 3 at \$25 per hour)

Engineering

Assuming that the engineering data at AVEC's headquarters tracks with the field verification, the engineers will project the load growth and determine the demand on each village system of each class of user. The estimate for this part of the study is:

Two engineers at \$100* per hour=
\$17,600 for 22 days

*(\$400 daily rate)

Rate Design

Accountants utilizing the test-year data and assumptions made from the engineering information will be able to produce rate designs for each

Sue Greene
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class of consumer in each village location. Variations of rate designs will be relatively easy to effect and could give such desired information as the effect of regionalization on AVEC rates, the effect of investment necessary to produce reasonable quality of service conditions where problems exist, the effect of recent generation acquisition on the cost to serve.

Two accountants at \$100 per hour= \$800 per day= \$8,000 for 2 weeks	
Computer lease/ support	\$4,000 (conservative estimate)
	<hr/>
	\$12,000

Management Audit

This estimate is based on numbers provided by SCS Boeing after spending a morning with Mr. Hodson, Manager of AVEC, and conferring with APUC staff.

Professional services/office/field	\$440 per day for 80 days=\$35,200
Travel--Seattle/Anchorage= (11 trips)	\$ 2,760
Per diem--Anchorage/40 days (\$45 per day)	<u>\$ 1,000</u>
TOTAL	\$39,760

WORK OUTSIDE ANCHORAGE

There must be an analysis of the existing village utility plant by the engineers. Included in the study is travel to approximately half of the villages. It is assumed that the management audit personnel will accompany the engineers to a portion of the villages visited.

A sampling of approximately twenty villages will be used with one trip out of Kotzebue/Nome, one out of Bethel; one of Dillingham and one out of Fairbanks. The condition of the utility plant will be determined, the load tested, and the accuracy of the existing Anchorage data will be checked. The estimate that follows is based on very rough figures from two engineering firms in Anchorage with the assumption that a company plane is used.

Travel--two days in 20 AVEC villages (includes travel to and from village)	\$15,400
Engineering--one engineer at \$400 per day for 40 days	\$16,000

The assumptions made on the amount of time spent in the villages are that (1) optimum weather conditions prevail and (2) the village plant operator is available during the visit. (Communications by radio-phone is difficult and even nonexistent in many of these villages.)

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Per diem (State rate used--two days per village)

Kotzebue/Nome--5 villages 2 people x \$67	\$ 670.00
Bethel--6-7 villages 2 people x \$65	910.00
Dillingham--4 villages 2 people x \$49	392.00
Fairbanks--3 villages 2 people x \$58	<u>348.00</u>
TOTAL	\$2,320.00

Summary of Direct Costs of AVEC Study

Accounting (rate base)	\$ 72,000
Accounting (operating expenses for test year)	55,200
Engineering (Anchorage) (field/travel)	17,600
(per diem)	31,400
Rate Design	2,320
Management Audit	12,000
	<u>39,760</u>
TOTAL	\$230,280

In the revised estimate submitted to the Federal Regional Council,
included were 10% indirect cost and administration

	\$23,028
plus an amount for contingencies	<u>\$25,000</u>
TOTAL	\$278,308

Additionally, included in the proposed estimate to the Federal Regional Council was a research analyst II (Range 16A at \$1,630 per month). It would appear that this position would ensure that information of past and present concerns, problems and frustrations regarding services provided by AVEC which exist in many agencies (Dept. of Environmental Conservation, Community and Regional Affairs, etc.) would be an integral part of the management analysis. An estimate of RAI salary for six months is \$9,780 plus any benefits which may accrue to a temporary position. This position could be funded by the AFUC within its existing personnel budget.

There is no dollar amount provided in this budget for testimony by the participants before the AFUC when it determines AVEC's permanent rate request and a new rate design. If the Commission is allowed to transfer

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some Personnel monies to Contractual Services and encumber same for Fiscal '78, it will have the necessary dollars for:

Testimony of two accountants, one engineer, one management specialist @\$400 per day for ten days (this includes the work involved in pre-filing testimony)	\$16,000
Transcript of hearing (1600 pages at \$2.50 per page)	<u>4,000</u>
TOTAL	\$20,000



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

Documentation for Dec. 7, 1976
appearance before the Federal
Regional Council.

Background information: Supplement to pre-application of the State of Alaska for a grant to effect a comprehensive assessment of the cost of service of the Alaska Village Electric Cooperative to provide electric power in*46 Alaska Villages

* in the pre-application 48 villages were included. The village of Point Hope is no longer in the service area of AVEC and it is expected that Angoon will be transferred to the Tlingit-Haida Regional Electric Authority.

WHAT IS THE PROBLEM?

The financial viability of the Alaska Village Electric Cooperative (AVEC), which currently serves 46 remote villages in Alaska, is threatened by the loss of revenue from the State School (REAA) contracts.

For fiscal 1976, \$833,306.58 in revenues or 26% of the total AVEC revenues of \$3,218,144 were received from the State (REAA) Schools.

If the State (REAA) Schools refuse to sign long term contracts with AVEC, it is expected that the Bureau of Indian Affairs Schools will do likewise. Currently their revenues, \$2,425,127 for fiscal 1976, provide 29.1% of the total amount received by the Cooperative. Together, the revenues from all schools contracts (including the independent school districts) are 61% of the total revenues of AVEC. (Exhibit 1).

THERE IS NO OTHER SOURCE OF REVENUE TO OFFSET THE LOSS OF SCHOOL CONTRACT DOLLARS.

WHY HAS THIS HAPPENED?

The last half of the 1960's were marked with much interest and efforts by the Johnson Administration in programs to improve the standard of living for the economically disadvantaged. Vista, Peace Corps and OEO were familiar words on the front pages of the newspapers. Alaska's late Senator Bob Bartlett was able to interest the policy makers in Washington to consider electrification of villages in remote areas of Alaska. Only through electrification, it was argued, could the depressed standard of living of Alaska's native peoples be raised and the thought of self-help programs and economic development be entertained.

The cooperation of state and federal agencies gave birth to AVEC in 1968 and then Governor Michel approved the venture in March of that year. The Office of Economic Opportunity agreed to provide grants for operation, the U. S. Department of Labor agreed to provide funds to train the operators of the system, the Rural Electrification Administration agreed to provide the capital necessary for generation and distribution of power and the Bureau of Indian Affairs agreed, as did the State of Alaska through the Alaska State Operated School System, to purchase electricity for their schools on a flat monthly charge.

According to those involved at the inception of AVEC, there was little data to determine what it would cost to serve remote villages with reliable power. An "educated guess-timate" was the best anyone could provide.

The importance of this project was given national attention when in 1969 Senator Edward Kennedy, Vice-President-elect Walter Mondale and former State Senator Willie Hensley travelled to some of the first villages electrified by AVEC. The commitment to make AVEC work grew stronger.

However, the revenues AVEC were receiving were not enough to cover their operating expenses. To cover the deficit, the contract with the State and BLA was increased from the initial amount of \$1200.00 per month, to \$2000.00, to \$2400.00, until the present contracted amount of \$2835.00 per month.

Things were proceeding better. In 1972 AVEC showed a profit margin for the first time. Enter the Trans-Alaska Pipeline. Many of AVEC's trained village operators who then and today are being paid \$260.00 per month were lured away by jobs that paid \$2000.00 per month. AVEC did not escape the inflationary spiral that hit every electric utility in this country nor the oil embargo of 1974 that sent the cost of diesel fuel rising.

In 1971 the Alaska Public Utilities Commission was created with authority to regulate all private and some public utilities in the State. The initial rates and special contracts established by AVEC came under a grandfather clause. There was no analysis of the revenues required to serve, nor the equity of the existing rate structure.

The 1975 legislature enacted AS 14.08 which repealed the State-Operated Schools Act and created in its place Regional Educational Attendance Areas (REAA) whose responsibilities include the delivery of educational services in rural Alaska. The REAA's are governed by Boards of Directors, elected by residents of the affected villages, and they have autonomous responsibility to expend the educational dollars allocated to their districts as they see fit. It is good management for these elected officials to question past expenditures in terms of value received. Hence, the scrutiny of the cost of purchasing electric power for the schools from AVEC.

Is the flat purchase power agreement in the best interests of the REAA's? Could the REAA's produce the electric power required for educational purposes for less dollars and divert heretofore allocated utility dollars to educational needs? If subsidy is necessary for the village resident, is this not a community problem, rather than an educational one? These are the questions that have been and are being raised today by the REAA boards. And without the data indicating the costs to deliver electric power in remote Alaska, no one has the answers.

WHAT HAPPENS IF AVEC GOES "BELLY-UP?"

The State and the Federal government will have to take immediate steps to protect the investment that has been made in these villages. (Exhibit 2) If a planned, orderly collapse could be effected, a tremendous expense would be incurred in order to bring continuing reliable power to the villages to protect the investment already there and to provide for future power needs.

Realistically, planned collapse rarely happens. Everyone involved would try to save the existing system. Without the revenues, these measures would fall short of achieving the goal and the article that appeared in the December 3, 1976 issues of the Anchorage News (Exhibit 3) will reappear for every village this important Cooperative serves.

There is no estimate that can be given at this time of the expenditure required in each village to secure a safe, reliable power source. AVEC has a \$13,231,977 investment in utility plant as of September 1976; these are 1968-76 dollars. Add a conservative average inflation factor of 6% -- a minimum of \$15 million dollars would be required. This does not include any overhead expense, nor does it take into consideration expenses incurred to meet emergency situations.

IS THERE A SOLUTION?

The consensus of Alaskan officials who have discussed this problem since March of this year is that the basic cost of service data must be determined before any decisions are made. A cost of service study is a precursor to the determination of which class of consumers shall pay what percentage of the costs of service. A cost of service study of AVEC has never been undertaken -- if it had been in 1968, these villages would probably still be in the dark.

The state agency charged with the responsibility of establishing just, reasonable and non-discriminatory rates is the APUC. With proper funding, this agency would provide the study in question and then render its judgment regarding what revenues are needed in order to maintain a viable utility. In addition, the APUC must determine the most equitable rate structure for all consumers.

An independent study as proposed in Alaska's pre-application would give the decision makers of the REAA's the true cost to serve, regardless of who is delivering the service. If a state subsidy is required in some areas in order to make power available to the village resident at a realistic cost, this study would provide that information.

Alaska believes that it is in the best interest of all agencies with existing and proposed programs dependent on a reliable power source in these villages to effect the proposed comprehensive assessment of the cost to provide electric power in Alaskan villages. This study can not only prevent the financial collapse of AVEC, but can serve as a basis for planning for future electrification programs in other remote villages. Additionally, this study could provide the foundation for establishing sound long-range planning for state subsidization policies in rural electrification as well as enhance joint federal-state investments in the future.

*in B. Kelly (Dial Grant)
John Turley - CSA
John Robertson, FEA
Bob Merrill - HUD
Fred Shanahan - DCC
Charles Hoyt - DOT
Bernard Winicki, LEA
Dave Dougherty - Staff*

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

file

HB 285

November 16, 1976

Mr. Bernard E. Kelly, Chairman
Federal Regional Council
U. S. Department of Health, Education
and Welfare
Arcade Plaza Building
Mailstop 610
1321 Second Avenue
Seattle, Washington 98101

Dear Mr. Kelly:

Enclosed please find the pre-application for financial assistance to determine the cost of electric service being provided forty-eight Alaska village communities through the Alaska Village Electric Cooperative referred to in my letter of November 4, 1976.

It is my understanding that an informal inquiry has been made to determine if a meeting to discuss this critical situation can be arranged for the week of November 28, 1976. It is my intention to send James Edenso, Deputy Commissioner of Revenue, in addition to Commissioner Carolyn Guess of the Alaska Public Utilities Commission to present the State's position and answer questions relative to the application. Mr. Edenso will be out of the State commencing December 5 and I am hopeful that the Federal Regional Council could accommodate a meeting on December 3.

Commissioner Guess should be contacted at (907) 276-6222 when the date is firm so that arrangements can be made to make this presentation.

Thank you for your consideration of this application and our request for a different meeting time.

Sincerely,

Jay S. Hammond
Governor

NOV 22 1976

SECTION IV-REMARKS (Please reference the proper item number from Sections I, II or III if applicable)

The decision to bring electricity to rural Alaskan villages was made in 1968 based on the commitment of the Office of Economic Opportunity which provided a grant for operation of the Rural Electrification Administration which provided loans for capital, the Bureau of Indian Affairs (BIA) and the State of Alaska through the State Operated School System (SOS) who approved flat power purchase agreements. Thus, the Alaska Village Electric Cooperative (AVEC) was established dedicated to the philosophy that through electrification, rural Alaska's standard of living would be vastly improved thereby permitting optimum delivery of education, health, communications, transportation and other life sustaining services.

The contracts between AVEC and the agencies responsible for rural education, SOS and BIA, established the financial foundation which made possible the delivery of electric power. Initially a flat monthly charge in the amount of \$1,200.00 was adopted. Today, the monthly rate is \$2,835.00 per school. The charge to other power users when electricity became available was based on a kilowatt hour rate which has not increased since 1968.

Since AVEC's inception, its management which provides administrative and general functions in addition to facility design and maintenance and repair of power generation equipment, has been centralized in Anchorage. Management has had complete responsibility for the operation of 48 village generation, transmission and distribution facilities from such diverse locations as Angoon in Southeastern Alaska, Point Hope on the Chukchi Sea, the village of Gambell on St. Lawrence Island and the interior town of Minto.

The SOS was abolished by the 1976 legislature and on July 1 of this year 21 Regional Education Attendance Areas (REAA's) were created throughout Alaska with autonomous power to allocate educational dollars, including funds for the generation of power in the schools. The REAA's in reviewing the costs to provide education in rural Alaska have expressed their view that the power purchase agreement executed by AVEC and SOS produced a discriminatory rate structure, and consequently, they have refused to sign contracts with AVEC for the purchase of power beyond July 1968.

Should the schools, through the REAA's choose to install their own generation capacity, the other users of power will be faced with prohibitive rates for electric service. The dysfunction of AVEC in these villages would signal the potential collapse and bankruptcy of this cooperative, which in turn will seriously jeopardize the power source for health clinic the small earth stations communication network, water purification plants, and airport construction and maintenance projects. The financial alternatives for the existing power demand programs in these 48 villages are simply prohibitive and untenable.

Hence -- this application.

The current AVEC rate structure was in existence prior to the establishment of the Alaska Public Utilities Commission, the agency charged with the responsibility of setting just, reasonable and non-discriminatory rates (AS 42.05.141(3), AS 42.05.591). The touchstone of an equitable rate structure is the cost to serve. To accurately determine the cost of service a major auditing project and an examination of AVEC's plant in service must be undertaken. Then, sound alternatives to the existing rate structure can be articulated and adopted. Without the facts, the AVEC is without the tools to do their job.

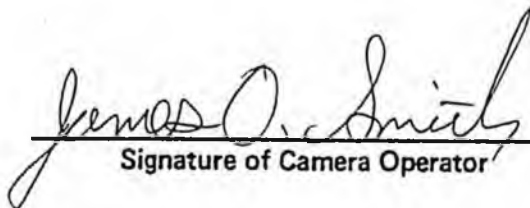
The purpose of this application is to request monies from the Federal Regional Council to be matched by Alaskan dollars to fund the gathering and analysis of data necessary to determine just, reasonable and non-discriminatory rates for AVEC and insure that an uninterrupted source of power is available for the health, safety and convenience of people living in rural Alaska.

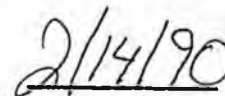


RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

COMMITTEE REPORT
SENATE

4/30/77

May 5, 1977 Date

Mr. President:

The Committee on FINANCE has had HB 285
supplemental appropriation to Dept. of Commerce and Economic Development
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) Subject to recommendations

MEMBERS SIGNING THE MAJORITY REPORT:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

[Signature]
Chairman

Introduced: 2/28/77
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 285

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
7 Department of Commerce and Economic Development,
8 Alaska Public Utilities Commission; and providing for
9 an effective date."

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

11 * Section 1. The sum of \$278,308 is appropriated from the general fund
12 to the Department of Commerce and Economic Development, Alaska Public
13 Utilities Commission, to fund a cost-of-service and management study of the
14 Alaska Village Electric Cooperative during the remainder of Fiscal Year 1977
15 and extending into Fiscal Year 1978.

16 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

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HB 285

February 28, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill making a supplemental appropriation in the amount of \$278,308 to the Department of Commerce and Economic Development, Alaska Public Utilities Commission, to fund a cost-of-service and management study of the Alaska Village Electric Cooperative. One result of this study will be to determine reasonable rates for the REEA's to pay for power and provide data for contractual decision-making for the future of electrical power in the forty-six AVEC-powered locations. The appropriation would enable the study to extend into Fiscal Year 1978.

Sincerely,

Jay S. Hammond
Governor

170 285

INFORMATION FOR SUPPLEMENTAL APPROPRIATION
FOR COST OF SERVICE STUDY RE AVEC

The Problem:

The REAAs have refused to sign contracts with AVEC because the costs will be excessive in relationship to projected education revenues to their districts. The schools have been consuming 33% of the kilowatt-hours generated and paying 53.7% of the costs of generation in the 46 AVEC villages.

The Process Addressing the Problem:

The Interdepartmental Task Force was formed to address the problem and recommend to the Governor means to resolve the immediate problem. Agencies involved were the Governor's immediate staff, the Division of Budget and Management, the Division of Policy Development and Planning, the Department of Education, the Department of Public Works, the Department of Commerce and Economic Development and its Public Utilities Commission, Department of Community and Regional Affairs and the Department of Revenue. Jim Edenso, Deputy Commissioner of the Department of Revenue, has been chairing the project.

The Recommendations:

The Committee recommended that a proposal be submitted to the Federal Regional Council to seek funding to conduct a cost of service study to collect data necessary to the REAAs for resolution of the contract disputes; to BIA for ascertaining the future of their AVEC contracts; to APUC for establishing just and reasonable rates; to the State Administration for determining future policy of subsidization of electricity in rural Alaska for educational purposes; and to federal agencies for protecting capital investments already dependent on AVEC power.

Current Status:

The proposal to the Federal Regional Council was, in essence, turned down. The urgency of the project dictates that the State proceed in order to have the data available by early fall to meet the above purposes. The current contracts with the REAAs (actually an assignment of rights by the State to REAAs under the terms of the former Statewide contract with State operated schools) expire June 30, 1978 and no future commitments can be undertaken until the dispute is resolved.

Immediate Recommendation:

The recommendation of the Interdepartmental Task Force is that to assure immediate responsible, professional attention to the task, the State fund the cost of service study for an amount of \$280,000 appropriated to the Alaska Public Utilities Commission. The Interdepartmental Task Force recommends that since this is the State agency charged with the responsibility of establishing just, reasonable and non-discriminatory rates, this is the appropriate agency to manage the study.

Attachments

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill No, 285
 Title Supplemental Appropriation to Alaska Public Utilities Commission
 Requested by Office of the Governor Date 2/25/77

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Public Protection
 Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	278,308					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	278,308					

FUNDING (Thousands of Dollars)

GENERAL FUND	278,308					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

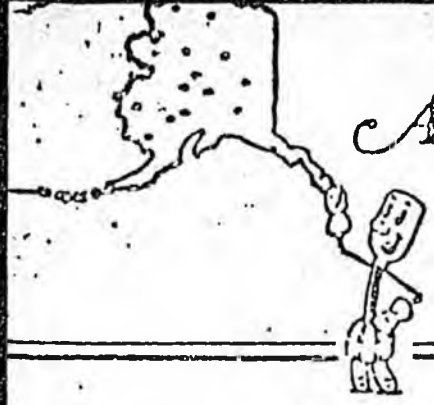
III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Summary of direct costs of AVEC study:

Accounting (rate base = investment in plant)	\$72,000
Accounting (operating expenses for the test year)	55,200
Engineering (Anchorage)	17,600
(field/travel)	31,400
(per diem)	2,320
Rate Design	12,000
Management Audit	39,760
	Subtotal
Indirect cost and administration	\$230,280
Contingencies	23,028
	25,000
	TOTAL
	\$278,308

IV. DATE 2/25/77 PREPARED BY Carolyn Guenz, Commissioner, APUC
 AGENCY Alaska Public Utilities Commission
 PHONE 272-1487
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Alaska Village Electric Co-operative, inc.



999 TUDOR RD., ANCHORAGE, ALASKA 99503
TELEPHONE 279-3548

December 3, 1976

Carolyn Guess, Commissioner
Alaska Public Utilities Commission
1100 Mackay Building
338 Denali
Anchorage, Alaska 99501

Dear Commissioner Guess:

Enclosed please find three sets of charts as follows:

Chart #1: Gives an indication of the State School revenue verses the total revenues in State School villages served by AVEC.

Chart #2: Gives an indication of AVEC revenue sources and distribution from 7-75 through 6-30-76.

Chart #3: Charts originally developed in 1973 in conjunction with efforts to raise the school minimum to \$2,835. per month, which time sequenced the events that would happen to AVEC without adequate school revenue.

We have indicated on these charts the type of chaos that would develop in a failing utility. The facts are as good today as when they were originally presented to responsible officials in 1973.

Yours truly,

ALASKA VILLAGE ELECTRIC
COOPERATIVE, INC.

Lloyd M. Hodson
General Manager

LMH/jay

Enclosures

STATE SCHOOL VILLAGES SERVED BY AVEC

7-1-75 through 6-30-76

<u>Village</u>	<u>§</u>	<u>BIA School Revenue</u>	<u>§</u>	<u>State School Revenue</u>	<u>Non-School Revenue</u>	<u>Total Revenue</u>
Alakanuk *** *	36	35,927.52	21	21,000.79	42,045.76	98,974.07
Angoon			36	36,680.45	65,549.65	102,230.10
Anvik			84	35,487.07	6,561.56	42,048.63
Emmonak *** *	33	35,092.23	20	20,810.99	49,548.44	105,451.66
Fortuna Ledge			72	35,948.23	14,100.78	50,049.01
Holy Cross			59	35,739.12	25,094.48	60,833.60
Huslia			61	36,693.88	23,782.10	60,475.98
Kaltag			70	36,174.93	15,301.59	51,476.52
Kiana ***	31	36,639.79	33	38,420.67	41,651.89	114,712.35
Kivalina			62	35,332.75	21,662.08	56,994.83
Koyuk			72	35,698.89	13,565.82	49,264.71
Minto			63	35,519.40	16,427.12	51,946.52
M. Village *** *	30	35,934.50	18	21,033.01	62,952.69	119,920.20
New Stuyahok			68	36,925.19	17,425.06	54,350.25
Noatak			59	35,429.18	25,033.29	60,462.47
Noorvik **			62	76,016.22	47,119.35	123,135.57
Nulato **			67	71,474.64	35,834.36	107,309.00
Pithas Point			82	35,350.93	7,595.70	42,946.63
Shishmaref			52	35,727.58	33,421.07	69,148.65
Shungnak			70	35,970.34	15,362.75	51,333.09
Togiak			49	36,918.97	39,015.87	75,935.84
Toksook Bay *** *	54	35,906.10	15	10,066.24	20,990.53	66,962.87
Wales			78	34,887.11	10,063.91	44,951.02
	<u>11</u>	<u>179,500.14</u>	<u>59</u>	<u>833,306.58</u>	<u>650,106.85</u>	<u>1,662,913.57</u>

61% of Total Revenue from Schools.

* Partial year State School

** Two State/REAA Schools

*** BIA & State/REAA School

AVEC REVENUE SOURCES & DISTRIBUTION

Year July 1, 1975 - June 30, 1976

	<u>Average</u>	<u>KWH Sold</u>		<u>Revenue</u>		<u>Average Cost</u>
	<u>No.</u>	<u>%</u>	<u>KWH</u>	<u>%</u>	<u>\$</u>	<u>¢/KWH</u>
Residential	2227	31	3,977,530.	25	813,494.	20.4
Commercial	147	12.6	1,619,413.	7	217,664.	13.4
Street Lights	76	.6	73,440.	.3	9,180.	12.5
BIA Schools	26	19	2,425,127.	29.1	936,215.	38.6
State Schools	23	19	2,440,057.	26	833,307.	34.2
Schools-Other	5	6.3	815,969.	5.5	177,688.	21.8
Other Public Buildings	267	11.5	1,484,249.	7.1	227,721.	15.3
Other Revenues					2,875.	
Total	2771	100	12,835,785.	100	3,218,144.-	25.1

Presentation to the Federal Regional Council

STATUS OF CONTRACT ARRANGEMENTS BETWEEN REAA'S AND AVEC

With the dissolution of the State Operated School System, which had been the single contracting agency with AVEC for electrical power to schools and communities prior to the establishment of the Regional Educational Attendance Areas, the contracting powers of school districts were written into the legislation creating the REAA's. The State assigned the rights under the existing contract to the REAA's and advised the REAA's and AVEC to immediately embark on contract negotiations for the future.

Obviously, this change in governmental structure within the State of Alaska creates a particularly difficult situation for AVEC and for the REAA's. Where AVEC was able to settle contracts and plans with a single State agency in the past, they must now negotiate with eight of the twenty-one REAA boards to cover the same schools that were originally served by the State Operated System. Additionally, those boards face the problem of determining what amount of money they dare commit since their funding is entirely State funds, approved annually by the legislature.

At this time, the State is concerned about developing a sound long-range policy on rural electrical power and is eager to progress with future planning to meet the needs of villages as well as school districts. While the State does

not have the legal authority to demand signatures on contracts between AVEC and the REAA's, nor to contract on their behalf, it does feel an obligation to assist in all ways possible in resolving what is clearly a difficult decision-making problem at this juncture in rural electrification history and to assist in maintaining a continuity of energy supply.

As of Friday, December 3, the status of the contract potential with REAA's containing AVEC-served schools was basically as follows:

The boards of the REAA's involved are unanimous in their concern about the inequity of charges for AVEC service to schools compared with other consumers. Beyond that consensus there are some differing responses according to particular experiences of the REAA's.

REAA #1 feels that the rates definitely need to be more reasonable and equitable and the board has asked staff to analyze the cost of generating their own electricity. They indicate that they have no intention of signing extended contracts at this time, though an analysis of the cost for generating their own electricity might change their minds, as could a change in rate structure.

REAA #2 is seriously interested in signing an extended contract, but only under more equitable rates.

Their complaints center around rates, and they are particularly sympathetic with AVEC's problems with the rapid growth in response to the expansion of school construction. Basically they oppose the flat rates and want straight consumer usage rates.

REAA #12 appears the least likely to sign at this point, but they are gravely concerned about their own communities and the rest of the State if they choose not to sign an extended contract for the schools.

Their major concerns center around the cost of AVEC service as compared with the cost with three private power companies that serve schools in Bettles, Manley Hot Springs and Tanana. The cost for those schools, which are of comparable size, varies from one-third to onehalf to the cost of the AVEC service.

The Board has requested specific review of alternatives and will be receiving that information in the near future. Additional reference was made to serious damage problems from the lack of good maintenance service by AVEC, the most notable example referred to being \$98,000 dollars worth of damage in Mulato two years ago.

REAA #6 is not interested in producing their own electricity would like to sign the contract, but cannot at this time accept the rate structure. They do have

serious concern about the lack of dependable power in one of their AVEC-served schools, which must operate its own standby power, must have its own fuel and bear the cost of the regular contracted service, as well. The expansion of housing in REAA #6 has greatly affected the dependability of power due to extension of water and sewer systems.

REAA #11 board is reluctant to sign without a fairer approach to rate sharing. They will assume some of the BIA schools in the future and do not feel that they will be able to justify expenditures from foundation educational funds for the high cost. However, they do not have an acceptable alternative to date.

REAA #4 allegedly has no intention of signing and is considering operating with its' own power generation unless the rate disparity is improved. They have concern about the lack of reliability and service problems that have been experienced.

REAA #5 Board would rather buy than produce power, but insists on improvement of the rates to schools and would accept the same rate as community users and others. Likewise, if any amount above that rate is subsidized by the State through other than school foundation act education dollars, they would be much more likely to

sign the contracts. Because they feel that the AVEC power is basically unreliable, they have to keep the back-up systems running in their schools. (In some cases there is a sole source problem.)

REAA #3 did not report last week but are apparently responding similarly to #4.

AGREEMENT

1. This Contract, entered into on the _____ day of _____, 1976, between the Chatham School District, (Rural Education Attendance Area District Eighteen), and Alaska Village Electric Cooperative, Inc., (hereinafter called the "Contractor").

Effective Date

In regard to present Chatham School District School Locations, including:

Angoon

effective July 1, 1976.

2. WITNESSETH that:

(a) WHEREAS, this is a Contract for supplying electrical services in an area where no competition exists and rates are controlled by law or ordinance; and

(b) WHEREAS, the Contractor has entered into a Contract with the Administrator of the Rural Electrification Administration, hereinafter referred to as "REA", dated September 23, 1968, No. A-1873, and subsequent Agreements, which provides for a loan from the United States of America, acting through the REA to finance the costs of construction of certain electric generation and distribution systems and related appurtenances, hereinafter referred to as "Electric Facilities" and

(c) WHEREAS, the construction of the Contractor's Electric Facilities is conditioned upon the negotiation and execution of Contracts in form and coverage acceptable to the REA between the Contractor and qualified Cooperative Members, hereinafter referred to as "Members", and

(d) WHEREAS, the Chatham School District desires to become a Member and secure required electric service as necessary for operation of schools, in the village of Angoon, in which Contractor operates electric facilities.

NOW THEREFORE, in consideration of mutual covenants herein contained, it is mutually agreed between the parties hereto as follows, to wit:

3. DEFINITIONS

Where used in this Contract:

(a) Chatham School District shall mean the Chatham School District, (Rural Education Attendance Area District Eighteen), or other related agency, or any subordinates or successor agency responsible for school operation in the village of Angoon and their heirs and assigns.

(b) Contractor shall mean the Alaska Village Electric Cooperative, Inc., a Corporation duly created and existing under the laws of the State of Alaska.

4. GENERAL

The Contractor, at his expense, shall provide the facilities as necessary to sell and deliver to the Chatham School District, and the Chatham School District shall purchase from the Contractor all of the electric power and energy which the Chatham School District may need at Angoon.

5. REVENUE GUARANTEE

(a) The Chatham School District shall pay the Contractor monthly for service or the availability of service, hereinafter as mutually agreed (I) the sum of the amount determined for each school pursuant to latest effective tariff rate schedule generally applicable to other similar consumers or (II) \$2,855. per month, per location, whichever is the greater, for the one (1) school facility location (a) Angoon. The one (1) revenue guarantee shall be subject to addition of a fuel cost adjustment based on actual kWh usage and as applied to all AVEC consumers and regulated by the Alaska Public Utilities Commission.

(b) The Chatham School District shall be entitled to any discounts customarily applicable to payment of bills by any customer of the Contractor.

(c) Invoices for payment shall be prepared and submitted to the location as designated by the Chatham School District. All invoices shall contain statements of the meter readings at the beginning and the

ending in the billing period, meter constants, consumption during the billing period, and such other pertinent data as may be required to substantiate the billings.

6. BILLING

(a) Payments hereunder shall not be made in advance of services rendered. The Chatham School District shall, however, use diligence to effect payment of all bills for services rendered under this Contract within thirty (30) days from the date such bills are received.

(b) Bills for service hereunder shall be paid at the office of the Contractor in Anchorage, State of Alaska.

7. MEMBERSHIP

The Chatham School District shall become a member of the Contractor, shall pay the membership fee of \$5.00 and be bound by such rules and regulations as may from time to time be adopted by the Contractor, which are pertinent to the supply and receipt of service.

8. CONTINUITY OF SERVICE

(a) The Contractor shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy fail or be interrupted, or becomes defective through act of God, Governmental Authority, action of the elements, public enemy, accident, strikes, labor trouble, inability to secure right-of-way, or any other cause beyond the reasonable control of the Contractor, the Contractor shall not be liable therefore or for damages caused thereby.

(b) In the event of the interruption of service in any month in the manner above described and said interruption is for a total period in excess of one day, the monthly amount due Contractor pursuant to paragraph 5 (a) (II) hereunder shall be reduced in the same proportion as the period of interrupted service bears to the month in which the interruption occurred.

(c) Interruptions for planned maintenance or emergency repair shall be coordinated with the Chatham School District to the maximum extent feasible so as to minimize the impact of the outage of the Chatham School District operations.

9. DURATION OF CONTRACT

This Agreement shall become effective only upon approval in writing by REA and shall remain in effect until ~~twelve (12) years~~ following the start of the ~~initial~~ initial billing period on July 1, 1976. At the end of such twelve (12) year period, the Chatham School District shall pay the Contractor an amount (hereinafter called the "Facilities Charge") computed as hereinafter provided, unless the Chatham School District shall elect to renew this Agreement for an additional twelve (12) year period by giving written notice thereof to the Contractor not less than 90 days before the end of the first twelve (12) year period. The Facilities Charge shall be \$160,000.00 per location.

The Chatham School District, by giving not less than 90 days written notice to the Contractor and paying the Facilities Charge, shall have the right to terminate this Agreement at any time; provided, however, that if such notice shall be effective during the additional twelve (12) year period, the Facilities Charge shall be reduced by eight and one-third per cent (8 1/3%) for each year of service following the expiration of the first twelve (12) year period.

10. ACCESS TO SERVICE LOCATIONS

(a) The Chatham School District grants to the Contractor, free of any rental or similar charge, but subject to the limitations specified in this Contract, a revocable permit to enter the service locations for any proper purpose under this Contract, including use of site or sites agreed upon by the parties hereto for the installations, operation, and maintenance of the facilities of the Contractor. Authorized representatives of the Contractor will be allowed access to the facilities of the Contractor and the Chatham School District at suitable times to perform the obligations of the Contractor with respect to such facilities. It is expressly understood, however, that proper military authority may limit or restrict the right of access herein granted in any manner considered by such authority to be necessary for the National security.

(b) The Contractor shall, at its expense, obtain all rights-of-way and easements necessary to permit it to perform under this Contract.

11. ALASKA PUBLIC UTILITY COMMISSION

It is the understanding of the parties that this Agreement shall be subject to applicable provisions of Alaska Administrative Code, Title 3, Part 5, Alaska Public Utilities Commission, Chapter 48, Practice and Procedure, Article 2, Utility Tariffs, Section 390 Provisions of Special Contract.

SERVICE AGREEMENT BETWEEN CHATHAM SCHOOL DISTRICT
(REAL DISTRICT 18)
AND
ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.

Approved:

CHATHAM SCHOOL DISTRICT


Approved:

ALASKA VILLAGE ELECTRIC COOPERATIVE,
INC.

By: _____

Title: _____

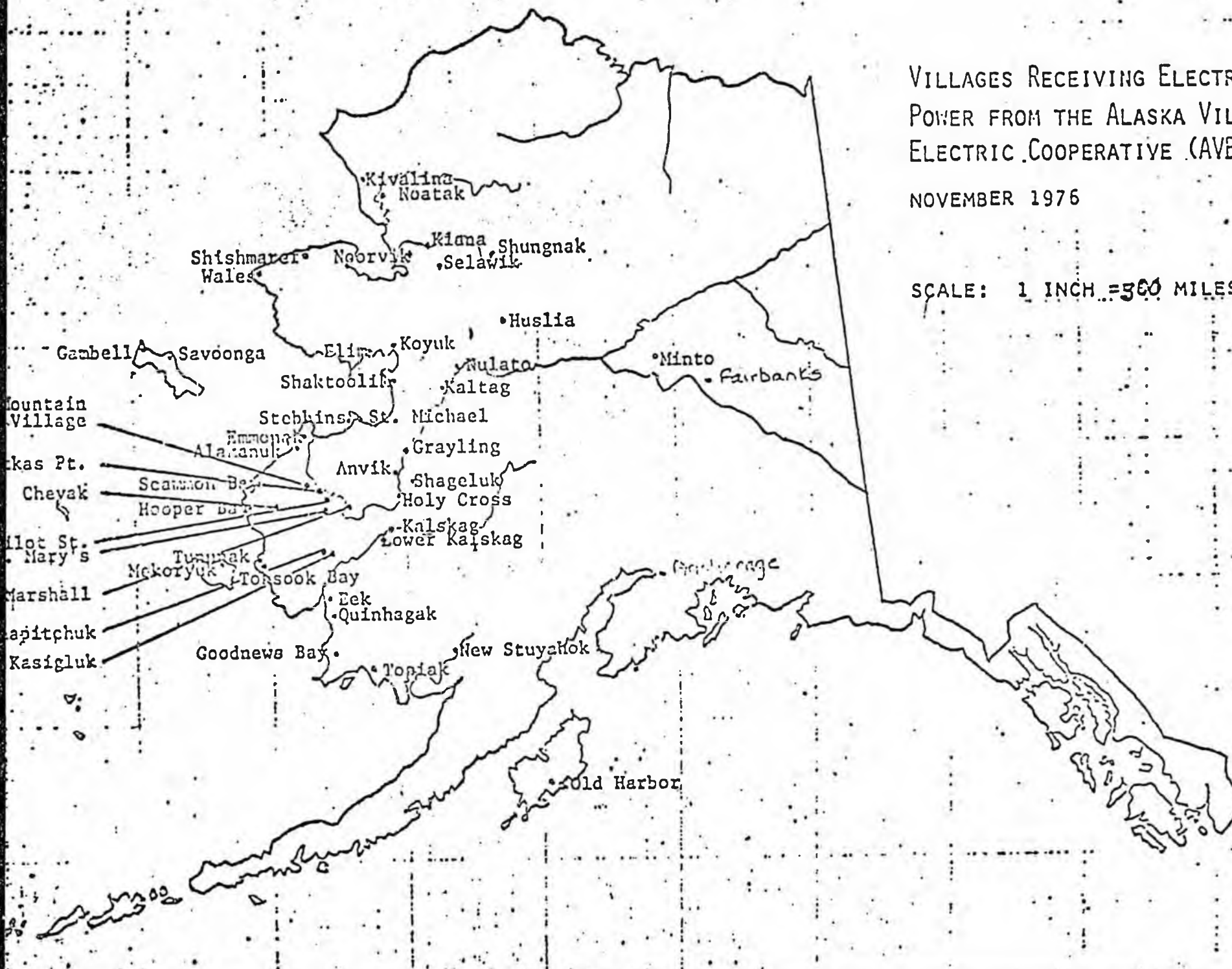
Date: _____

By:  _____
Title: General Manager
Date: June 3, 1976

VILLAGES RECEIVING ELECTRIC
POWER FROM THE ALASKA VILLAGE
ELECTRIC COOPERATIVE (AVEC)

NOVEMBER 1976

SCALE: 1 INCH = 360 MILES



STATE
of ALASKA

MEMORANDUM

TO: Carl Brown
Federal Regional Council

DATE: March 13, 1977

FROM: Carolyn S. Guess, Commissioner

SUBJECT: AVIC Cost-of-Service Study

I apologize for my tardiness in bringing you up to date on "Project AVIC."

As I stated over the phone last week, the Governor has requested a supplemental appropriation in the amount of \$278,308 to fund a cost-of-service study of the AVIC utility. His action was taken because of the State's concern that the agencies approached through the Federal Regional Council were either unable or unwilling to commit on a timely basis to the funding of this crucial project. The financial deterioration of AVIC has continued and the AVIC has been requested to grant emergency rate relief to the utility. A decision regarding this matter is expected by the first of April.

The Governor requested that the cost-of-service study be reexamined in light of the State being the sole source of funding and consequently the decision was made to fund travel by the engineering consultants to only half of the villages. This is not an optimal situation but the most financially practicable in light of reality.

We would request that the monies (\$20,000 I believe) the Alaska Power Administration indicated would be available for this study be forthcoming and it would be the intent of the AVIC with concurrence from the successful contract bidder that any federal dollars which become available replace the deduction made in on-site engineering analysis of the village generation facilities.

We spoke of the possibility of the Bureau of Land Management providing one of its planes and pilots as an in-kind contribution by the Interior Department. The question of the liability of the federal government was discussed and I believe you were going to check on whether the State of Alaska could purchase an insurance policy to preclude federal liability. Is there any word on this?

I will be in contact with Mr. Gay Martin, currently the Commissioner of Natural Resources for the State of Alaska and President Carter's nominee for Assistant Secretary of the Interior for Land and Water Resources to determine if a policy decision at the Washington level would be beneficial to the proposed in-kind contribution of the Department of Interior.

Carl Brown
March 13, 1977
Page 2

The accounting responsibilities for the cost-of-service study are estimated to consume 12 man-weeks for 8 accountants. We both agreed that the agencies affected within the Federal Regional Council would be unable to provide in-kind contributions of this magnitude. However, any resources that are available to assist in the area of the management audit of AVEC could be of immense assistance.

The management audit will address the present practice of the AVEC operation in order to determine whether the systems currently used allow AVEC to function in the most efficient manner. In addition, this part of the study should address the quality of service that is being provided, the ways to improve the service, and (in conjunction with the engineers and accountants) the cost to bring substandard service to a reasonable and reliable level. One of the more important problems which this aspect of the study must address is the impact of load growth on existing AVEC systems from HUD housing units, the upgrading by the Public Health Service of existing facilities, the village sewer and water systems, and the construction and additions to school buildings. Examination of the original CEO conditions placed upon AVEC which are still in effect must be analyzed to determine the effect of imposing self-help constraints on an organization required to provide electric services. The training of plant operators at the Seward Mill Center should be evaluated in terms of the skills necessary to provide operation of the generation facility in the village.

If you believe an appearance by Sue Greene or myself at the Federal Regional Council April meeting could shake any dollars or in-kind contributions loose, we would be available to personally update the progress of this project.

CSG:ms

STATE
of ALASKA

MEMORANDUM

TO: Marvin R. Weatherly
Commissioner

DATE: January 21, 1977

FROM: Carolyn S. Guess
Commissioner

SUBJECT: An Update of the Status of
Alaska's Request to the Federal
Regional Council for Assistance
Through the Joint Funding
Simplification Process to Fund
a Comprehensive Cost of Service
Study for AVEC

As of this date, it is my understanding that the Federal Regional Council has secured for this project \$20,000 from the Alaska Power Administration. It appears from conversations with Carl Brown, staff member assigned to this project, and Dave Dougherty, staff to the Federal Regional Council, that everyone realizes the importance of solving this problem but nobody except the Alaska Power Administration can find the money.

It is my understanding from Mr. Brown that the BIA was approached and they have said "no dough." I have attached a letter from the acting area director of the BIA which I find quite interesting in that he is very supportive of the study, asks many questions that need to be answered, but cannot find any funds for the project. An ironic note here is the second attachment which announces a \$50,000 grant for the development of a tannery by the non-profit arm of the Eering Straits Native Corporation. Although it does not say where the tannery would be located, I am sure a tannery requires power and it is likely that we could be speaking of an AVEC village. I fail to understand the position of BIA to provide grant monies for development of industries before we solve the crisis problem of electricity in rural Alaska.

It is also my understanding that EDA has been approached for money and there is a question as to what can be provided. I spoke with Mr. Clyde Courtnage, the Alaska Director, and he believed that Washington, if the commitment were really made to fund this project, would find monies within EDA.

It is my understanding that Mr. Brown, who met with Senator Gravel on Friday, January 21st, was also to contact HEW and CSA to determine whether they could find funds for this project. Senator Gravel probably has a more recent update on this than I.

Our modified request to accomplish the comprehensive cost of service study is \$317,817 of which Alaska will commit one third, \$105,939. We are requesting two thirds of the total cost through the Federal Regional Council, \$211,878.

I think a continued source of frustration for those of us who are working intently to find the monies to fund the cost of

Marvin R. Weatherly
Commissioner

-2-

January 21, 1977

service study is the fact that the federal government really has more to lose by a dysfunction or bankruptcy of AVEC than the state. Senator Gravel was left a copy of our presentation to the Federal Regional Council in which documentation was presented indicating a conservative estimate of federal dollars which have been invested in AVEC villages in facilities which require reliable power. For instance, HUD has a minimum of \$29,000,000 in these villages, the Bartlett Programs have \$2,000,000, EDA has a minimum of \$2,000,000, FAA has plans at St. Mary for expansion which could total \$1,000,000 and the water and sewer system investment by the Alaska Native Health Service totals \$27,000,000. These figures do not take into consideration the chaos that the village health programs would undergo if a reliable source of power could not be provided.

I know that Mike's office, through Rick Aks, is pursuing this matter. Any additional information that is needed we will provide. I might add that I will be in Kansas City the third week in February. In the event there would be anything I could do to effect positive action regarding this subject I could journey to D.C. on the 17th. As you know, Marv, Alaska has committed its share and our agency has dug as deep as we can to provide money. What we need now is for the federal government to give more than lip service to this project.

CSG:d1m

Attachments

cc: \Sue Greene
Jim Edenso

020110

STATE
of ALASKA

~~MEMORANDUM~~
ALASKA PUBLIC UTILITIES COMMISSION
1100 Mackay Building - 538 Demili Street
Anchorage, Alaska 99501

TO: Sue Greene
Office of the Governor

DATE : February 7, 1977

FROM: Carolyn S. Guess, Commissioner
CSG

SUBJECT: AVEC Cost-of-Service Study
by the APUC

A cost-of-service study of the Alaska Village Electric Cooperative, Inc. (AVEC), service area will include accounting, engineering and a management audit. The accounting and engineering work will provide data on a village-by-village basis including the cost to provide each class of user (residential, commercial, school, public buildings, street lights) with electric service.

The management audit will address the present practice of the AVEC operation in order to determine whether the systems currently used allow AVEC to function in the most efficient manner. In addition, this part of the study should address the quality of service that is being provided, the ways to improve the service, and (in conjunction with the engineers and accountants) the cost to bring substandard service to a reasonable and reliable level. One of the more important problems which this aspect of the study must address is the impact of load growth on existing AVEC systems from HUD housing units, the upgrading by the Public Health Service of existing facilities, the village sewer and water systems, and the construction and additions to school buildings. Examination of the original GEO conditions placed upon AVEC which are still in effect must be analyzed to determine the effect of imposing self-help constraints on an organization required to provide electric services. The training of plant operators at the Seward Skill Center should be evaluated in terms of the skills necessary to provide operation of the generation facility in the village.

The following is an educated estimate of a total cost-of-service study of AVEC under the direction of the Alaska Public Utilities Commission (APUC). A utility financial analyst will be assigned by the Commission to coordinate the project and to report directly to one of the Commissioners. In addition, an APUC engineer specializing in electric generation will give direction to the engineering aspects of the study. It is assumed that the accounting and engineering components of the AVEC study will be contracted to experienced firms within Alaska. At the present time it is not known who, other than SCS Boeing, may be interested in conducting the management audit.

Three staff of the APUC have spent 15 hours going through the data that is available in the Anchorage headquarters of AVEC. The accounting and engineering estimates are based on their findings and analysis of the work necessary to provide the cost of service by village.

Sue Greene

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WORK TO BE DONE IN ANCHORAGE

Accounting

The end product will provide the data on which the APUC can determine just and reasonable rates for the AVEC system. It will also give the policy makers the costs to provide electric service by village, by REAA district, by geographical location and by the entire system (and other groupings if desired).

Of the existing plant in service, two-thirds has not been classified according to the Uniform System of Accounts (classified as to generation, transmission, distribution and general categories). A portion of each classified category must be allocated to each village. A revenue requirement for each village cannot be determined until this is done. The estimate for this part of the study is:

Four accountants at \$150* per hour=
\$6,000 per week=
\$72,000 for 12 weeks

*(1 supervisor at \$60 per hour; 1 at \$40 per hour and 2
at \$25 per hour)

The accounting records of AVEC's operating expenses are kept on a system-wide basis. In order to determine the revenue requirements of each village, these expenses will have to be broken down and allocated to each village. For rate-making purposes, operating expenses are determined, normalized for a test-year period, and proforma adjustments are made when there are known and measurable changes. It is assumed that the test year to be used will coincide with the interim request for rate relief presently before the Commission (July, 1975-July, 1976). The estimate for this portion of the study is:

Four accountants at \$115* per hour=
\$4,600 per week=
\$55,200 for 12 weeks

*(1 accountant at \$40 per hour; 3 at \$25 per hour)

Engineering

Assuming that the engineering data at AVEC's headquarters tracks with the field verification, the engineers will project the load growth and determine the demand on each village system of each class of user. The estimate for this part of the study is:

Two engineers at \$100* per hour=
\$17,600 for 22 days

*(\$400 daily rate)

Rate Design

Accountants utilizing the test-year data and assumptions made from the engineering information will be able to produce rate designs for each

Sue Greene
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2-7-77

class of consumer in each village location. Variations of rate designs will be relatively easy to effect and could give such desired information as the effect of regionalization on AVEC rates, the effect of investment necessary to produce reasonable quality of service conditions where problems exist, the effect of recent generation acquisition on the cost to serve.

Two accountants at \$100 per hour=	
\$800 per day=	
\$8,000 for 2 weeks	
Computer lease/ support	\$4,000 (conservative estimate)
	<hr/>
	\$12,000

Management Audit

This estimate is based on numbers provided by SCS Boeing after spending a morning with Mr. Hodson, Manager of AVEC, and conferring with APUC staff.

Professional services/office/field	\$440 per day for 80 days=\$35,200	
Travel--Seattle/Anchorage=		\$ 2,760
(11 trips)		
Per diem--Anchorage/40 days		<u>\$ 1,800</u>
(\$45 per day)		
	TOTAL	\$39,760

WORK OUTSIDE ANCHORAGE

There must be an analysis of the existing village utility plant by the engineers. Included in the study is travel to approximately half of the villages. It is assumed that the management audit personnel will accompany the engineers to a portion of the villages visited.

A sampling of approximately twenty villages will be used with one trip out of Kotzebue/Nome, one out of Bethel; one of Dillingham and one out of Fairbanks. The condition of the utility plant will be determined, the load tested, and the accuracy of the existing Anchorage data will be checked. The estimate that follows is based on very rough figures from two engineering firms in Anchorage with the assumption that a company plane is used.

Travel--two days in 20 AVEC villages (includes travel to and from village)	\$15,400
Engineering--one engineer at \$400 per day for 40 days	\$16,000

The assumptions made on the amount of time spent in the villages are that (1) optimum weather conditions prevail and (2) the village plant operator is available during the visit. (Communications by radio-phone is difficult and even nonexistent in many of these villages.)

Sue Greene
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Per diem (State rate used--two days per village)	
Kotzebue/Nome--5 villages 2 people x \$67	\$ 670.00
Bethel--6-7 villages 2 people x \$65	910.00
Dillingham--4 villages 2 people x \$49	392.00
Fairbanks--3 villages 2 people x \$58	<u>348.00</u>
TOTAL	\$2,320.00

Summary of Direct Costs of AVEC Study

Accounting (rate base)	\$ 72,000
Accounting (operating expenses for test year)	55,200
Engineering (Anchorage) (field/travel)	17,600
(per diem)	31,400
Rate Design	2,320
Management Audit	<u>12,000</u>
	<u>39,760</u>
TOTAL	\$230,280

In the revised estimate submitted to the Federal Regional Council,
included were 10% indirect cost and administration

	\$23,028
plus an amount for contingencies	<u>\$25,000</u>
TOTAL	\$278,308

Additionally, included in the proposed estimate to the Federal Regional Council was a research analyst II (Range 16A at \$1,630 per month). It would appear that this position would ensure that information of past and present concerns, problems and frustrations regarding services provided by AVEC which exist in many agencies (Dept. of Environmental Conservation, Community and Regional Affairs, etc.) would be an integral part of the management analysis. An estimate of RAI salary for six months is \$9,780 plus any benefits which may accrue to a temporary position. This position could be funded by the AFUC within its existing personnel budget.

There is no dollar amount provided in this budget for testimony by the participants before the AFUC when it determines AVEC's permanent rate request and a new rate design. If the Commission is allowed to transfer

Sue Greene
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some Personnel monies to Contractual Services and encumber same for Fiscal '78, it will have the necessary dollars for:

Testimony of two accountants, one engineer, one management specialist @ \$400 per day for ten days (this includes the work involved in pre-filing testimony)	\$16,000
Transcript of hearing (1600 pages at \$2.50 per page)	<u>4,000</u>
TOTAL	\$20,000

W. W. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

Documentation for Dec. 7, 1976
appearance before the Federal
Regional Council.

Background information: Supplement to pre-application of the State of Alaska for a grant to effect a comprehensive assessment of the cost of service of the Alaska Village Electric Cooperative to provide electric power in 46 Alaska Villages

* In the pre-application 48 villages were included. The village of Point Hope is no longer in the service area of AVEC and it is expected that Angoon will be transferred to the Tlingit-Haida Regional Electric Authority.

WHAT IS THE PROBLEM?

The financial viability of the Alaska Village Electric Cooperative (AVEC), which currently serves 46 remote villages in Alaska, is threatened by the loss of revenue from the State School (REAA) contracts.

For fiscal 1976, \$833,306.58 in revenues or 26% of the total AVEC revenues of \$3,218,144 were received from the State (REAA) Schools.

If the State (REAA) Schools refuse to sign long term contracts with AVEC, it is expected that the Bureau of Indian Affairs Schools will do likewise. Currently their revenues, \$2,425,127 for fiscal 1976, provide 29.1% of the total amount received by the Cooperative. Together, the revenues from all schools contracts (including the independent school districts) are 61% of the total revenues of AVEC. (Exhibit 1).

THERE IS NO OTHER SOURCE OF REVENUE TO OFFSET THE LOSS OF SCHOOL CONTRACT DOLLARS.

WHY HAS THIS HAPPENED?

The last half of the 1960's were marked with much interest and efforts by the Johnson Administration in programs to improve the standard of living for the economically disadvantaged. Vista, Peace Corps and OEO were familiar words on the front pages of the newspapers. Alaska's late Senator Bob Bartlett was able to interest the policy makers in Washington to consider electrification of villages in remote areas of Alaska. Only through electrification, it was argued, could the depressed standard of living of Alaska's native peoples be raised and the thought of self-help programs and economic development be entertained.

The cooperation of state and federal agencies gave birth to AVEC in 1968 and then Governor Nickel approved the venture in March of that year. The Office of Economic Opportunity agreed to provide grants for operation, the U. S. Department of Labor agreed to provide funds to train the operators of the system, the Rural Electrification Administration agreed to provide the capital necessary for generation and distribution of power and the Bureau of Indian Affairs agreed, as did the State of Alaska through the Alaska State Operated School System, to purchase electricity for their schools on a flat monthly charge.

According to those involved at the inception of AVEC, there was little data to determine what it would cost to serve remote villages with reliable power. An "educated guess-timate" was the best anyone could provide.

The importance of this project was given national attention when in 1969 Senator Edward Kennedy, Vice-President-elect Walter Mondale and former State Senator Willie Hensley travelled to some of the first villages electrified by AVEC. The commitment to make AVEC work grew stronger.

However, the revenues AVEC were receiving were not enough to cover their operating expenses. To cover the deficit, the contract with the State and BLA was increased from the initial amount of \$1200.00 per month, to \$2000.00, to \$2400.00, until the present contracted amount of \$2835.00 per month.

Things were proceeding better. In 1972 AVEC showed a profit margin for the first time. Enter the Trans-Alaska Pipeline. Many of AVEC's trained village operators who then and today are being paid \$260.00 per month were lured away by jobs that paid \$2000.00 per month. AVEC did not escape the inflationary spiral that hit every electric utility in this country nor the oil embargo of 1974 that sent the cost of diesel fuel rising.

In 1971 the Alaska Public Utilities Commission was created with authority to regulate all private and some public utilities in the State. The initial rates and special contracts established by AVEC came under a grandfather clause. There was no analysis of the revenues required to serve, nor the equity of the existing rate structure.

The 1975 legislature enacted AS 14.03 which repealed the State-Operated Schools Act and created in its place Regional Educational Attendance Areas (REAA) whose responsibilities include the delivery of educational services in rural Alaska. The REAA's are governed by Boards of Directors, elected by residents of the affected villages, and they have autonomous responsibility to expend the educational dollars allocated to their districts as they see fit. It is good management for these elected officials to question past expenditures in terms of value received. Hence, the scrutiny of the cost of purchasing electric power for the schools from AVEC.

Is the flat purchase power agreement in the best interests of the REAA's? Could the REAA's produce the electric power required for educational purposes for less dollars and divert heretofore allocated utility dollars to educational needs? If subsidy is necessary for the village resident, is this not a community problem, rather than an educational one? These are the questions that have been and are being raised today by the REAA boards. And without the data indicating the costs to deliver electric power in remote Alaska, no one has the answers.

WHAT HAPPENS IF AVEC GOES "BELLY-UP?"

The State and the Federal government will have to take immediate steps to protect the investment that has been made in these villages. (Exhibit 2) If a planned, orderly collapse could be effected, a tremendous expense would be incurred in order to bring continuing reliable power to the villages to protect the investment already there and to provide for future power needs.

Realistically, planned collapse rarely happens. Everyone involved would try to save the existing system. Without the revenues, these measures would fall short of achieving the goal and the article that appeared in the December 3, 1976 issues of the Anchorage News (Exhibit 3) will reappear for every village this important Cooperative serves.

There is no estimate that can be given at this time of the expenditure required in each village to secure a safe, reliable power source. AVEC has a \$13,231,997 investment in utility plant as of September 1976; these are 1968-76 dollars. Add a conservative average inflation factor of 6% -- a minimum of \$15 million dollars would be required. This does not include any overhead expense, nor does it take into consideration expenses incurred to meet emergency situations.

IS THERE A SOLUTION?

The consensus of Alaskan officials who have discussed this problem since March of this year is that the basic cost of service data must be determined before any decisions are made. A cost of service study is a precursor to the determination of which class of consumers shall pay what percentage of the costs of service. A cost of service study of AVEC has never been undertaken -- if it had been in 1968, these villages would probably still be in the dark.

The state agency charged with the responsibility of establishing just, reasonable and non-discriminatory rates is the APUC. With proper funding, this agency would provide the study in question and then render its judgment regarding what revenues are needed in order to maintain a viable utility. In addition, the APUC must determine the most equitable rate structure for all consumers.

An independent study as proposed in Alaska's pre-application would give the decision makers of the REA's the true cost to serve, regardless of who is delivering the service. If a state subsidy is required in some areas in order to make power available to the village resident at a realistic cost, this study would provide that information.

Alaska believes that it is in the best interest of all agencies with existing and proposed programs dependent on a reliable power source in these villages to effect the proposed comprehensive assessment of the cost to provide electric power in Alaskan villages. This study can not only prevent the financial collapse of AVEC, but can serve as a basis for planning for future electrification programs in other remote villages. Additionally, this study could provide the foundation for establishing sound long-range planning for state subsidization policies in rural electrification as well as enhance joint federal-state investments in the future.

in B. Kelly (Dir. Grant)
John Farley - CSA
John Robertson, FEA
Bob Maxwell - HUD
Fred Shanahan - DEC
Charles Hoyt - DOT
Bernard Winkler, LEA
Dave Dougherty - Staff



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/14/90
Date

COMMITTEE REPORT

SENATE

4/6/77

Nov. 25 1977 Date

Mr. President:

The Committee on Finance has had HB 286
amending FY 76 appropriation act
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>		_____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

[Signature]
Chairman

Introduced: 2/28/77
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 286

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending the FY 76 General Appropriations Act;
7 and providing for an effective date."

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

9 * Section 1. Section 1, ch. 209, SLA 1975 is amended to read:

10 Section 1. The sum of \$553,204,000 [553,564,000] is appropriated
11 from the general fund and from the unreserved special accounts in the
12 general fund for the period specified, to be apportioned according to
13 the schedules in secs. 16 and 17 of this Act.

	<u>Operating</u>	<u>Capital</u>
14		
15 General Fund	<u>\$518,048,700</u> [518,408,700]	\$14,964,700
16 Highway Fuel Tax Account	15,771,200	
17 Aviation Fuel Tax Account	3,166,400	
18 Watercraft Fuel Tax Account	<u> </u>	<u>1,253,000</u>
19	<u>\$536,986,300</u> [537,346,300]	\$16,217,700

20 * Sec. 2. Section 4, ch. 209, SLA 1975 is amended to read:

21 Sec. 4. The sum of \$110,816,000 [111,176,000] is appropriated from
22 federal program receipts estimated to be received for general fund,
23 special fund and bond construction fund programs during the period spe-
24 cified, to be apportioned according to the schedules in secs. 16 and 17
25 of this Act.

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26		
27	<u>\$108,375,900</u> [108,735,900]	\$2,440,100

28 * Sec. 3. Section 16(a), HEALTH, Medicaid, ch. 209, SLA 1975, is amended
29 to read:

1 Medicaid 12,280,000 [13,000,000] 6,140,000 [6,500,000]

2 6,140,000 [6,500,000]

3 * Sec. 4. Sec. 16(a), HEALTH, Category Fund Sources, ch. 209, SLA 1975
4 is amended to read:

5 Category Fund Sources

6 General Fund 26,610,000 [26,970,000]

7 Federal Program Receipts 8,752,500 [9,112,500]

8 Program Receipts 143,000

9 Interagency Receipts 1,931,600

10 Total Funding -- Health 37,437,100 [38,157,100]

11 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-
12 070(c) and is retroactive to July 1, 1975.



Alaska State Legislature

April 8, 1977

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

M E M O R A N D U M

TO: Senator John Sackett, Chairman
Senate Finance Committee

FROM: Milt Barker
Fiscal Analyst
Legislative Finance Division

SUBJECT: HB 286

(5) Finance
Orsini

A legislative audit of the Medicaid program revealed that year-end encumbrances for FY 75 were determined simply by adding up the remaining balances. As indicated in the Commissioner's response to the audit, a method has been established to estimate actual obligations that will be incurred after year-end. This method was used to estimate FY 76 year-end encumbrances. However, some statistically invalid reasoning that is part of this method again resulted in an excessive encumbrance which has resulted in HB 286 to reduce the original FY 76 appropriation to the amount required.

In the estimation procedure, a distribution of the cumulative percentages of bills paid one, two, three, etc. months after service is determined from a sample of Medicaid bills. Then the cumulative percentage for number of months late is increased by an amount determined by statistics to assure that that percentage will encompass all bills that are that many months late with a 99% probability. However, if a bill turns out to be four months late, that means it is not three or five or some other number of months late; thus, to increase the cumulative percentage for each month independently of the others double-counts the total percentage necessary to assure all bills up to, say, 9 months late, are counted within that total percentage with 99% probability. In addition, the sample size is too small for the cumulative percentages determined in the first place to be proper.

The result of this estimation procedure was an encumbrance of \$1,507,000 of FY 76 funds on August 31, 1976. As of January 31, 1977, when all late bills should have been paid, \$860,654 of the encumbrance remained. HB 286 reduces the FY 76 Medicaid appropriation by \$720,000 to soak up the bulk of this extraneous encumbrance.

MBB:pw

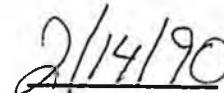


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

COMMITTEE REPORT

2-28-77

HOUSE

2 28 77 _____ Date

Mr. Speaker:

The Committee on FINANCE has had HR 286

under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Chairman

Introduced: 2/28/77
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 286

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending the FY 76 General Appropriations Act;
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	<u>Operating</u>	<u>Capital</u>
14		
15	General Fund <u>\$518,048,700</u> [518,408,700]	\$14,964,700
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17	Aviation Fuel Tax Account 3,166,400	
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10 Total Funding -- Health 37,437,100 [38,157,100]

11 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-
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Alaska State Legislature

April 8, 1977

POUCH Y, STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

M E M O R A N D U M

TO: Senator John Sackett, Chairman
Senate Finance Committee

FROM: Milt Barker
Fiscal Analyst
Legislative Finance Division

SUBJECT: HB 286

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MBB:pw

Introduced: 2/28/77
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 HOUSE BILL NO. 286

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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13 the schedules in secs. 16 and 17 of this Act.

	<u>Operating</u> (-360.0)	<u>Capital</u>
14		
15	General Fund <u>\$518,048,700</u> [518,408,700]	\$14,964,700
16	Highway Fuel Tax Account 15,771,200	
17	Aviation Fuel Tax Account 3,166,400	
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 2 6,140,000 [6,500,000] ^{12,280} 720 6,140,000

3 * Sec. 4. ³⁶⁰ (Sec. 16(a)), HEALTH, Category Fund Sources, ch. ~~689~~ ⁶⁸⁸, SLA 1975

4 is amended to read:

5 Category Fund Sources

6 General Fund 26,610,000 [26,970,000] ³⁶⁰

7 Federal Program Receipts 8,752,500 [9,112,500] ³⁶⁰

8 Program Receipts 143,000 ³⁶⁰

9 Interagency Receipts 1,931,600 ⁷²⁰

10 Total Funding -- Health 37,437,100 [38,157,100] ⁷²⁰

11 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-
 12 070(c) and is retroactive to July 1, 1975.

13 1. Medicaid bills in after end of year - encumber
 14 2. Sample of bills - to estimate.
 15 what for 2, 3, or 4 months old
 16 to estimate expenditure each 20
 17 of each month to be 99% sure
 18 but doing independently but
 19 really dependent events.

22 -720,000 1/2 fuel + 1/2 OF

24 didn't lapse

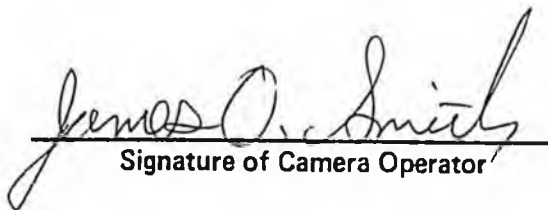
26 long arm of finance committee
 27 if over encumber, we can go back + get it
 28
 29

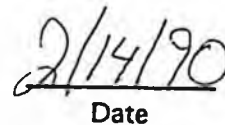


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Signature of Camera Operator


Date

COMMITTEE REPORT

3-1-77

HOUSE

11/10/77 Date

Mr. Speaker:

The Committee on FINANCE has had HD 238

under consideration. A majority of the members of the Committee

recommends it do pass

recommends it do not pass

recommends it do pass with attached amendment(s)

recommends it be replaced with CS for _____ and that
CS for _____ do pass

(and) recommends it be referred to the _____
committee

reports it back without recommendation

AND attaches a report of its intent Form 1000

(other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

Forsman

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

recommends: _____

recommends: _____

recommends: " " _____

Forsman

Chairman

Introduced: 3/1/77
Referred: Finance

1 IN THE HOUSE

BY DUNCAN

2 HOUSE BILL NO. 288

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the division of tourism to make
7 matching grants to promote conventions and incentive
8 travel."

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

10 * Section 1. AS 44.33 is amended by adding a new section to read:

11 Sec. 44.33.145. GRANTS FOR PROMOTING CONVENTIONS AND INCENTIVE
12 TRAVEL. (a) A nonprofit organization funded in whole or in part by a
13 municipality to promote conventions in or incentive travel to Alaska is
14 eligible to receive matching money for use in promoting conventions and
15 incentive travel. Upon application to and approval by the director of
16 the division of tourism, funds shall be granted as a 50 per cent match-
17 ing grant.

18 (b) For the purposes of (a) of this section, "incentive travel"
19 means travel undertaken by a group of persons into Alaska which is
20 funded in whole or in part by a firm which provides the trip as a bonus
21 or reward for performance on the part of either the firm's employees or
22 its customers.

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 288
 Title matching grants for conventions and incentive travel
 Requested by House Finance Date 3/1/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Development
 Budget Request Unit(s) Affected Division of Tourism

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		0	0	0	0	0
200 TRAVEL		0	0	0	0	0
300 CONTRACTUAL		0	0	0	0	0
400 COMMODITIES		0	0	0	0	0
500 EQUIPMENT		0	0	0	0	0
600 LAND & STRUCTURES		0	0	0	0	0
700 GRANTS, CLAIMS, ETC.		200.0	200.0	200.0	200.0	200.0

TOTAL

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		200.0	200.0	200.0	200.0	200.0
FEDERAL FUNDS		0	0	0	0	0
OTHER (Sacrific)		0	0	0	0	0

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME		0	0	0	0	0
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE March 3, 1977 PREPARED BY Terry L. Miller
 AGENCY Division of Tourism
 Original: Legislative Finance PHONE 465-2005
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Introduced: 3/1/77
Referred: Finance

1 IN THE HOUSE

BY DUNCAN

2 HOUSE BILL NO. 288

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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21 or reward for performance on the part of either the firm's employees or
22 its customers.

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

HB 288

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 Requested by House Finance Date 3/1/77

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 Program Category Affected Development
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400 COMMODITIES		0	0	0	0	0
500 EQUIPMENT		0	0	0	0	0
600 LAND & STRUCTURES		0	0	0	0	0
700 GRANTS, CLAIMS, ETC.		200.0	200.0	200.0	200.0	200.0
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		200.0	200.0	200.0	200.0	200.0
FEDERAL FUNDS		0	0	0	0	0
OTHER (Specify)		0	0	0	0	0

POSITIONS

FULL TIME		0	0	0	0	0
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE March 3, 1977 PREPARED BY Terry L. Miller
 AGENCY Division of Tourism
 PHONE 465-2005
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Name)



RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James A. Smith
Signature of Camera Operator

2/14/90
Date

COMMITTEE REPORT

SENATE

4/27/77

May 12, 1977 Date

Mr. President:

The Committee on FINANCE has had HB 288
grants to promote conventions and incentive travel
under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) subcommittee recommendations

MEMBERS SIGNING THE MAJORITY REPORT:

W. J.
... ...
... ...
... ...

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____
_____ recommends: _____
_____ recommends: _____

...
Chairman

In SFC 4-27-77

Introduced: 3/1/77
Referred: Finance

1 IN THE HOUSE

BY DUNCAN

2 HOUSE BILL NO. 288

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the division of tourism to make
7 matching grants to promote conventions and incentive
8 travel."

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

10 * Section 1. AS 44.33 is amended by adding a new section to read:

11 Sec. 44.33.145. GRANTS FOR PROMOTING CONVENTIONS AND INCENTIVE
12 TRAVEL. (a) A nonprofit organization funded in whole or in part by a
13 municipality to promote conventions in or incentive travel to Alaska is
14 eligible to receive matching money for use in promoting conventions and
15 incentive travel. Upon application to and approval by the director of
16 the division of tourism, funds shall be granted as a 50 per cent match-
17 ing grant.

18 (b) For the purposes of (a) of this section, "incentive travel"
19 means travel undertaken by a group of persons into Alaska which is
20 funded in whole or in part by a firm which provides the trip as a bonus
21 or reward for performance on the part of either the firm's employees or
22 its customers.

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 288

Title matching grants for conventions and incentive travel

Requested by House Finance Date 3/1/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Development

Budget Request Unit(s) Affected Division of Tourism

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		0	0	0	0	0
200 TRAVEL		0	0	0	0	0
300 CONTRACTUAL		0	0	0	0	0
400 COMMODITIES		0	0	0	0	0
500 EQUIPMENT		0	0	0	0	0
600 LAND & STRUCTURES		0	0	0	0	0
700 GRANTS, CLAIMS, ETC.		200.0	200.0	200.0	200.0	200.0
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		200.0	200.0	200.0	200.0	200.0
FEDERAL FUNDS		0	0	0	0	0
OTHER (Specify)		0	0	0	0	0

POSITIONS

FULL TIME		0	0	0	0	0
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE March 3, 1977

PREPARED BY Terry L. Miller

AGENCY Division of Tourism

PHONE 465-2005

Original: Legislative Finance

cc: Budget and Management

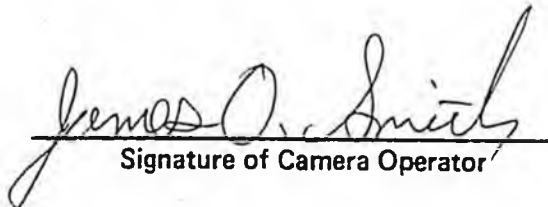
Prime Sponsor (First Legislator Named)

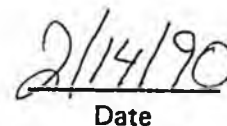


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Signature of Camera Operator


Date

"An Act making a special appropriation for the purpose of transplanting caribou from Cold Bay to Nagai Island; effective date."

COMMITTEE REPORT

HOUSE

3/11/77

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 289

under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____	recommends:	_____
_____	recommends:	_____
_____	recommends:	_____

_____ Chairman

"An Act making a special appropriation for the purpose of transplanting caribou from Cold Bay to Nagai Island; eff. date."

COMMITTEE REPORT

3-1-77

HOUSE

FINANCE

3/10/77

Date

Mr. Speaker:

The Committee on RESOURCES has had HB 289 under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

<u>[Signature]</u>	<u>Miller - DO PASS</u>
<u>Merle G. Snider DO PASS</u>	<u>[Signature]</u>
<u>[Signature] DO PASS</u>	<u>[Signature]</u>
<u>[Signature] "Alvin" Osterback DO PASS</u>	<u>[Signature] DO PASS</u>

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Alvin Osterback
Chairman

3510
Bennett

Introduced: 3/1/77
Referred: Resources and
Finance

1 IN THE HOUSE

BY OSTERBACK

2 HOUSE BILL NO. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for the purpose
7 of transplanting caribou from Cold Bay to Nagai Island;
8 and providing for an effective date."

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

10 * Section 1. The sum of \$28,660 is appropriated from the general fund to
11 the Department of Fish and Game for the purpose of transplanting 40 caribou
12 from Cold Bay to Nagai Island.

13 * Sec. 2. The unexpended and unobligated portion of this appropriation
14 lapses into the general fund June 30, 1978.

15 * Sec. 3. This Act takes effect July 1, 1977.

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 289

By OSTERBACK

"An Act making a special appropriation for the purpose of transplanting caribou from Cold Bay to Nagai Island; and providing for an effective date."

Move caribou to Nagai Is.

Introduced in the House 3-1, 1977

HISTORY IN THE HOUSE

19 77

MAR. 1

Read first time and referred to Committee on Resources and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration
PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused
Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused

Reconsideration
PASS Effective Date
Yeas Yeas
Nays Nays
Absent Absent
Excused Excused
Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

Introduced: 3/1/77
Referred: Resources and
Finance

1 IN THE HOUSE

BY OSTERBACK

2 HOUSE BILL NO. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for the purpose
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8 and providing for an effective date."

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15 * Sec. 3. This Act takes effect July 1, 1977.

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JUNEAU ALASKA

Alaska State Legislature
House

MEMORANDUM

2 March 1977

TO: House Resources Committee

FROM: Alvin Osterback, Chairman
House Resources Committee

Al Osterback jr

SUBJECT: HB 289 Caribou Transplant

During the Ninth Alaska State Legislature, SCSHCR 93 passed, requesting Caribou transplant. This bill is the appropriation for SCSHCR 93.

Upon receiving the first estimate for \$98,420 I met with Bob Rausch, Director of the Game Division. I expressed my concern over the high cost. Mr. Rausch agreed to work up a new estimate, operating out of Cold Bay and catching the animals in Stepovak Bay. As you can see, the new estimate for transplanting 40 caribou would be \$28,660.

2/22/77

February 18, 1977

The Honorable Alvin Osterback, Chairman
House Resources Committee
Pouch V
Juneau, Alaska 99811

Dear Representative Osterback:

My staff has prepared the requested cost estimate for transporting 40 caribou from the Alaska Peninsula to Nagai Island, using Cold Bay as the base of operations. The estimate follows:

Caribou Transport

40 Caribou to Nagai - from Cold Bay

Helicopter @ \$325 X 5 hrs per day = \$1,625/day
X 7 days helicopter time = \$11,375

Coosa 3 hr. round trip X 7 trips @\$720 = 5,040
(perhaps less if we can catch caribou in Stepovak Bay)

Room and board chopper pilot, \$55 X 10 days = 550

Fuel at Cold Bay, 945 gal. at .48/gal. = 453

Dry diet 3 biologists for 10 days = 1,650

Transportation of staff = 700

Drugs & equipment = 5,000


\$24,768

If helicopters are not available locally,
ferry time from Anch. to Cold Bay and return = 3,900

\$28,660

This estimate does not include personnel costs which the division will absorb.

Sincerely,


Robert A. Rausch
Director
Division of Game

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

SUPPORT BUILDING
JUNEAU 99801

February 7, 1977

The Honorable Alvin Osterback, Chairman
House Resource Committee
Pouch V
Juneau, Alaska. 99811

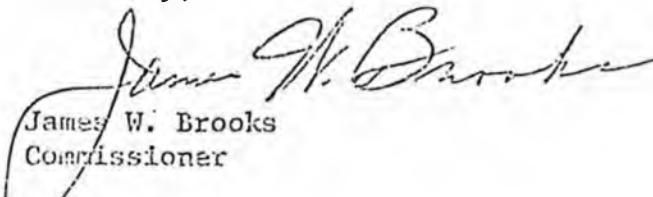
Dear Representative Osterback:

Re: Caribou transplants as requested in SCSHCR 93.

My staff has completed preliminary surveys and estimates preparatory to inaugurating the transplants requested in SCSHCR 93. If the attached plans are satisfactory, specific authorization is required in order to implement the activity. Because the thrust of the activity will primarily result in production of food animals, rather than recreation, it would seem appropriate to fund the activity from the general fund rather than from the dedicated Fish and Game Fund which is comprised of hunting and sport fishing license and tag receipts.

Agreements with the appropriate Native Corporations have not been initiated. This requirement will await fiscal authorization of the activity. If you desire further assistance or information please contact me.

Sincerely,


James W. Brooks
Commissioner

Enclosure

BOB ROUCH

1976
51-45

Estimated Cost of Aleutian Island Caribou Transplant

Helicopter

Ferry Time	12 hours	\$325/hr.	=	\$ 3,900
Day Operation	5 hours	\$325/hr.	=	\$ 1,625
6 caribou/day for a total of 40 caribou/site	7 days		=	\$11,375
3 release sites - 21 days flying				\$34,125
Fuel 27 gal./hr. - 5 hr./day = 135 gal/day x 21 = 2835 gal x \$1.				\$ 2,835
Pilot Room & Board	21 days	\$55/day	=	1,155
Total Helicopter				\$42,015

Goose - \$240/hr. wet

Ferry Time - variable, depends on location				\$ 1,000
Nagi - 300 mi. round trip - 3 hr./trip, 7 trips				\$ 5,040
Akutan - 720 mi. round trip - 7 hr./trip, 7 trips				\$11,760
Unalaska - 800 mi. round trip - 8 hr./trip, 7 trips				\$13,440
Pilot Room & Board				
Total Goose				\$31,240

180 Cessna Reconnaissance of Islands \$ 5,000

3 Biologists

21 days room & Board @ \$55/day = \$1,155/biologist	\$ 3,465
Transportation	\$ 700
Salary	\$ 6,000

Drugs and Equipment \$10,000

TOTAL

\$98,470

25-28

\$28,660
new estimate

Original Sponsors: Osterback, Anderson,
Cotten, et al.

Offered: 4/27/76
Referred: Rules

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 SENATE CS FOR HOUSE CONCURRENT RESOLUTION NO. 93

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 Requesting the Department of Fish and
6 Game to transplant caribou from Umnak to
7 certain of the Aleutian and Shumagin Island
8 groups.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 WHEREAS game transplants in Alaska have enjoyed great success biologi-
11 cally, serving to provide vital additions to game populations which contribute
12 to the subsistence way of life in remote areas; and

13 WHEREAS the Department of Fish and Game has determined that transplant-
14 ing caribou from Umnak to certain of the Aleutian and Shumagin Island groups
15 is ecologically feasible, but has not initiated the program;

16 BE IT RESOLVED that the Alaska State Legislature respectfully requests
17 the Governor to direct the Department of Fish and Game to transplant caribou
18 in adequate numbers from Umnak to Unalaska, Akutan, Deer Island, Nagai,
19 Mitrofanina Island and St. George Island at the earliest possible time;
20 and be it

21 FURTHER RESOLVED that, when necessary, the Department of Fish and Game
22 enter into management agreements with any affected Native regional corpora-
23 tion for the successful accomplishment of the caribou transfer.