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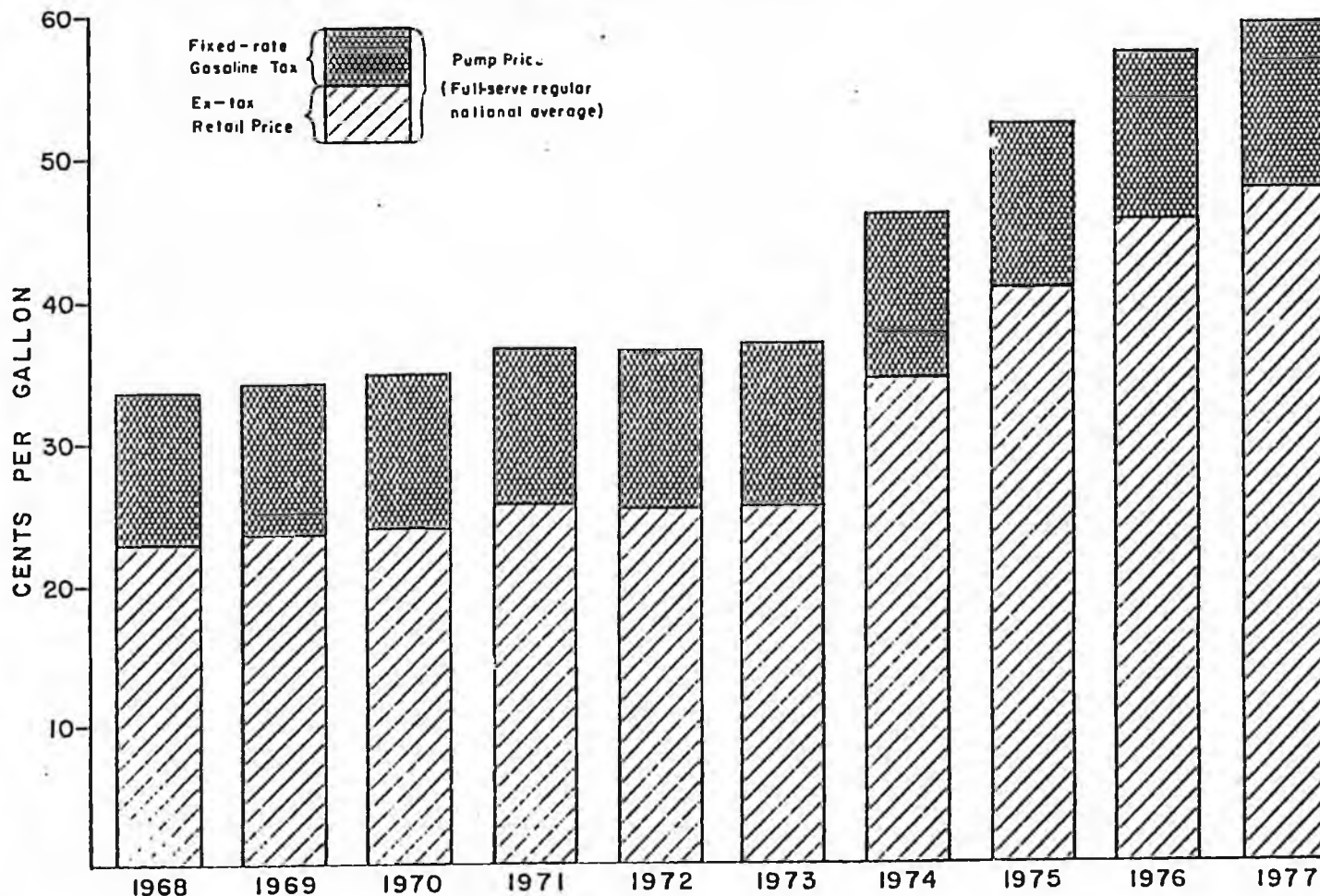
Published Fridays

MARCH 4, 1977

Variable Gasoline Taxes: What Effect on Price?

The *AGONY* to Come

UNDER EXISTING TAXATION SYSTEMS, GASOLINE TAXES HAVE REMAINED RELATIVELY STEADY

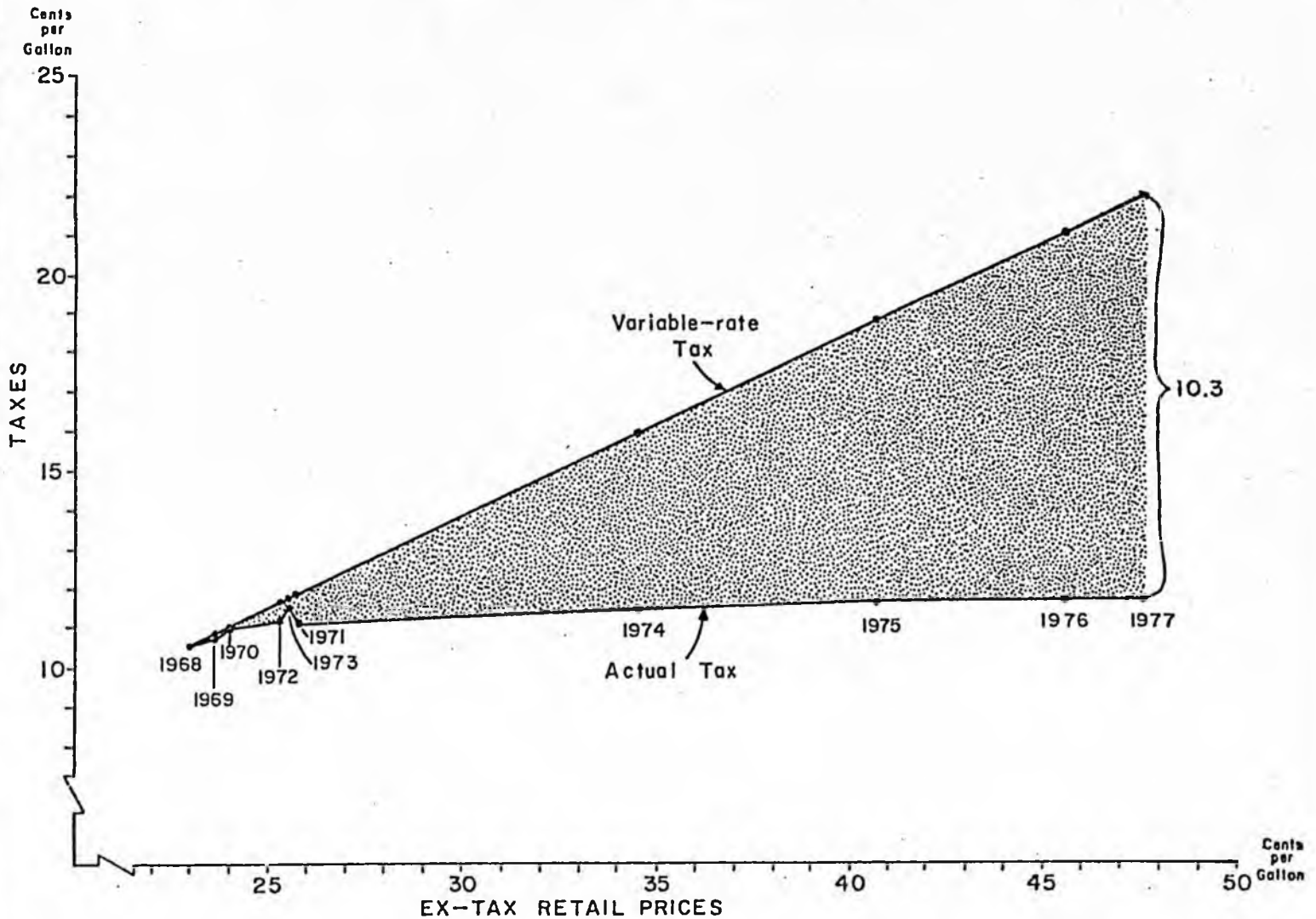


This graph shows gasoline taxes and prices under the fixed-rate systems now in effect. Gasoline prices do not affect taxes. Following graphs show what proposed variable rates would do to prices.

Jan C. Lundberg, Publisher, Mark Emond, Editor-in-Chief, Lynn L. Beavers, Director of Research
 Ellen L. Martz, Editor-in-Charge of Correspondents, Nancy R. Harwich, Copy Editor
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HOW VARIABLE TAXES OUTRUN EXISTING TAXES AS GASOLINE PRICES INCREASE

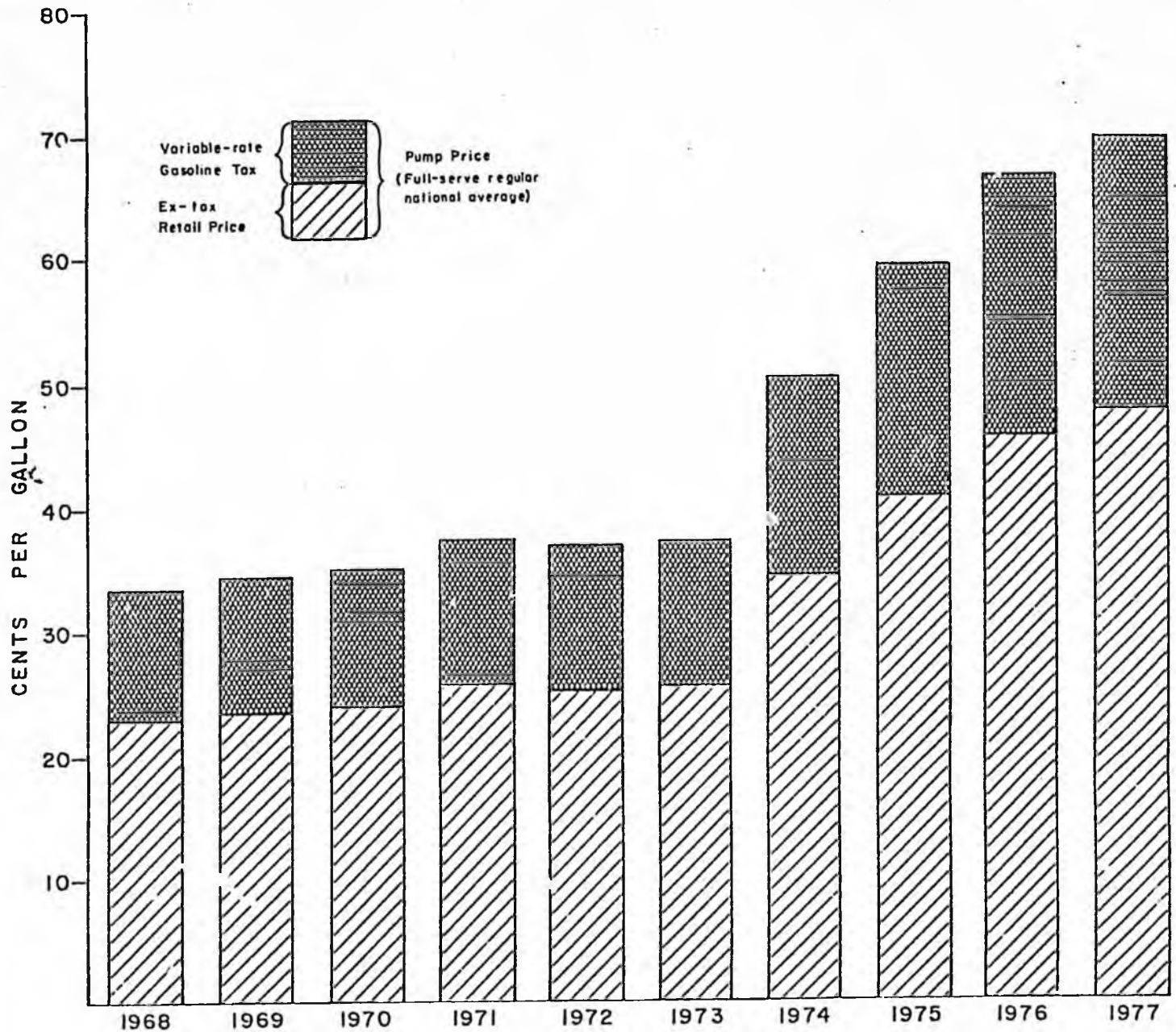


The above graph shows how taxes collected under one simple variable-tax system would have differed from actual taxes as gasoline prices changed.

Increasing retail prices (ex-tax) are represented by movement toward the right along this graph, and are read in cents per gal. on the horizontal axis. Increasing taxes are represented by upward movement on the graph, and are read in cents per gal. on the vertical axis.

The lower curve shows the history of the tax and price relationship, with prices increasing faster than taxes. The upper curve shows the same 10-year period as it might have been under a variable-rate system. Here, as prices increase, taxes increase in proportion, and the curve is a straight line. The shaded area between the two curves dramatizes the increase in taxes under the variable-rate system.

HOW TAXES AND PRICES WOULD HAVE RISEN IF VARIABLE RATES HAD BEEN IN EFFECT



Even with variable rates, taxes would have increased little from 1968 through 1973, but look what would have happened after that. The Average U.S. price would be 69.7¢ and the tax almost 22¢.

STATE GASOLINE TAX INCREASES: HOW MUCH?

Federal tax is one thing, but the oil industry is being blind-sided by what the states are doing right now.

THE QUESTION is not whether gasoline taxes will be increased, but rather how much. The taxation method that is attracting the most attention now among states is "variable rate," which means the gasoline tax is adjusted upward periodically as gasoline prices rise.

The purpose of this issue is to indicate what could happen to gasoline taxes and total gasoline prices if variable taxation were put into effect. The analysis covers the immediate past decade, from 1968-1977, a period of initially very small and later very large gasoline price increases.

The graph on page 1 shows how gasoline taxes (federal and state combined) have remained relatively constant while gasoline prices have risen considerably.

The graph on page 2 shows how variable taxes would have differed from actual taxes as gasoline prices changed.

The graph on page 3 shows what the total gasoline prices would have been and would be now if variable taxation had been in effect during the past 10 years.

Taxes vs. Prices

The average U.S. gasoline price in 1968 (Jan. 1) was 33.6¢ gal. (full-service regular grade) including a tax of 10.59¢, and in 1977 was 59.4¢ including a tax of 11.71¢. This represents a 25.8¢-gal. pump-price increase, but only a 1.12¢ tax increase.

The first big jump in gasoline prices took place from 1973 to 1974, going from 37.0¢ to 46.1¢, up 9.1¢. But taxes remained almost constant at 11.55¢ and 11.56¢.

This dramatic fact did not escape the notice of state highway departments, which depend heavily on gasoline taxes. Because of gasoline shortages, consumption fell, and so did revenues since they are based on cents per gal. Even worse, no one knew where the bottom was.

The North American Gasoline Tax Conference, which represents state motor-fuel tax agencies, reports that many forms of variable-tax proposals cropped up in various places at about this time. The number introduced to date is not known, and proposals have been advanced with varying degrees of seriousness. None has been adopted so far by any state legislature.

Many versions have been proposed again this year. The ramifications are quite serious for the public, for motor-fuel marketers, and for highway departments and other agencies affected by gasoline taxes. In this study, only gasoline taxes are considered, although in most proposals all motor fuels would be included.

If variable taxes had been in effect during the past decade, the tax rate would have gone from 10.59¢ gal. in 1968 to 21.96¢ gal. in 1977 (Jan. 1). In 1974 alone they would have jumped to 15.88¢ from 11.74¢ the previous year, or approximately 4.1¢ gal.

Variable-rate taxation would have the greatest impact this year, when gasoline taxes on Jan. 1 would have been 10.3¢ gal. higher than they actually were.

Taxes are adjusted annually on Jan. 1 for convenience, although various proposals suggest semiannual, quarterly, and even monthly adjustment.

How Much Money Is Involved?

A variable tax rate would have resulted in the collection of huge amounts of money during the past 10 years. Whether these amounts are out of line or not depends on what you compare them with.

For example, during the first six years of the period, there would have been a tax increase every year, but the amount would have been relatively small because the gasoline price didn't increase much. The smallest increase would have been \$54-million in 1970, the largest \$735-million in 1971. This is for the whole nation.

That's not an insignificant amount of money, but it's paltry compared with what would have been collected in the succeeding four years, when prices increased greatly.

In 1974 the variable tax would have resulted in the collection of \$4.4-billion more than was actually collected, \$7.3-billion more in 1975, and \$10.1-billion more in 1976.

HOW GASOLINE TAXES COULD INCREASE UNDER A "VARIABLE RATE" SYSTEM			
Annual National Tax Collections in \$ Millions 1968 - 1976			
	Actual Tax Collections (1)	Hypothetical "Variable Rate" Collections (2)	Amount of Increase
1968	8,678	-----	-----
1969	9,185	9,322	137
1970	9,876	9,930	54
1971	10,405	11,140	735
1972	11,273	11,685	412
1973	12,037	12,235	198
1974	11,652	16,007	4,355
1975	12,085	19,407	7,322
1976	12,660	22,724	10,064

(1) All tax rates are volume-weighted national averages as of January 1 of the indicated year. These rates are applied to total taxable gasoline consumption for that year from LSI files.
 (2) Based on taxes at a constant (1968) ratio to ex-tax retail price averages, computed in January of each year and applied throughout the year.

From 1974 through 1977, the tax would have increased 6.1¢ gal. It would have been 10.2¢ gal. higher in 1977 than it was in 1973.

The total price of a gal. of regular-grade gasoline would be 69.7¢ now, with a tax of 21.96¢, instead of 59.4¢, with a tax of 11.71¢.

Now, admittedly, a jump of 10.3¢ gal. in gasoline taxes as a result of variable rates is a startling figure. But, again, it depends on what you compare it with. Compare it with the 25¢-gal. increase President Carter is reported, apparently erroneously, to be considering and it appears less sensational.

The quadrupling of the price of crude oil by oil exporting countries isn't likely to repeat itself, and therefore gasoline price increases like the ones that took place after 1973 are correspondingly unlikely.

The amounts of tax increases based upon variable rates during more normal periods don't appear to provide much incentive for that type of taxation. From 1968 through 1973, taxes would have risen only 1.15¢ gal. The actual increase in the same period was 0.96¢ gal.

Variable taxation could be to some degree self-defeating. This depends on the largely unanswered question of how elastic gasoline demand is: that is, how much do higher prices reduce consumption of gasoline. The whole concept of conservation, a motivating force for higher motor-fuel prices, depends on it. If gasoline consumption is reduced by higher taxes, the total tax collection would be less than expected.

Political consequences may be the most important consideration. It might be distasteful for motor-fuel consumers to think that their taxes are tied to what oil exporting countries, in the Middle East and elsewhere, do with the price of crude oil. In effect, it puts taxation authority in the hands of what xenophobes would call "foreigners."

Coming Soon

In an immediate upcoming issue, we will examine how variable rates would affect gasoline-tax collections in selected metropolitan markets in 26 states, based on prices actually observed by Lundberg Survey (LSI).

Key Assumptions

The basic data for this analysis are drawn from several sources: Lundberg Survey price surveys compiled in the Comprehensive Price Report, LSI adjustments of Platt's price series (history only), various compilations of state gasoline tax rates, state and national gasoline consumption figures from LSI's Share of Market system. Each national average tax reported as actual is an average of the Jan. 1 state taxes, weighted by the state gasoline consumption during that January. Price data from the Comprehensive Price Report are similarly weighted.

The results of this analysis should be interpreted with reference to several simplifying assumptions employed.

- For the entire decade covered by the analysis, it is assumed that a variable-rate taxation system exists in all 50 states. Furthermore, the formula for adjusting the tax rates is assumed to be the same in all states.
- The adjustment formula chosen is a simple straight-line function of the average (ex-tax) retail price. It adjusts the tax on January 1 of any given year so that it bears the same ratio to the prevailing average price as the taxes on January 1, 1968, did to the then prevailing price.
- Tax rate adjustments are made on January 1 of each year and are assumed to apply to all gasoline sold during that year.
- Since all states are being treated as a group, the federal tax (currently 4¢ per gallon) is included in this same rate-adjusting system.
- Despite higher gasoline prices resulting from the "variable rate" taxes, the total consumption of gasoline is assumed to be exactly as historically reported.

Naturally, such uniformity in tax collection practices and such price insensitivity on the part of the consumer are entirely unrealistic. Nor is the decade chosen for analysis intended to represent likely market conditions during the next 10 years. As a consequence, this study should be viewed as more indicative than predictive.

WASHINGTON PAGE

Is That 25¢-Gal. Tax For Real?

Press reports say President Carter is considering a 25¢-gal. gasoline tax, but he denies it. He does not deny, however, that he is planning to propose increases. Every indication is that he's thinking of something sharply higher than the 4¢-gal. federal excise tax there is now.

But the feeling among observers in Washington is that Congress will take a dark view of any significant gasoline-tax increase the Carter administration may propose April 20 as part of its long-term national energy policy recommendations.

The report of a 25¢-gal. plan met with such icy reaction on Capitol Hill that some industry sources think the President will back off completely now and pursue it later on.

Some "viable alternatives" mentioned:

- A variable tax, not tied to gasoline prices as many states are thinking of doing, but rather tied to increases in gasoline consumption, with an automatic "trigger mechanism."
- "Sock it to the big ones" . . . by taxing horsepower not gasoline.
- Rebates for buyers of small-horsepower cars.

Comments from Washington's trade press:

- Stiff conservation measures and "sacrifice" will be a primary thrust of Carter's energy message.
- "Mandatory conservation" rather than "voluntary cooperation" will be the keynote.
- Any new gasoline-tax proposal will be "progressive." It may start at 2¢ the first year and increase yearly thereafter.
- Fuel stamps, possibly financed by the higher excise tax itself, could ameliorate the worst of the effect on lower-income families.

Bottom Line

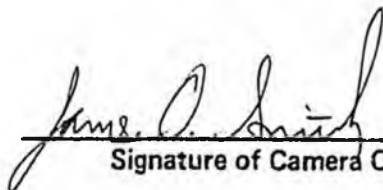
Despite contrary signals now coming from the White House, the mood of the public is such that Congress will give any gasoline-tax increase intensive thought. The final outcome is likely to be something everybody can live with.



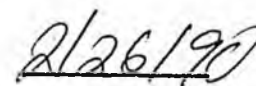
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Signature of Camera Operator



Date

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/20/77
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

HOUSE CS FOR CS FOR SENATE BILL NO. 150

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 appropriations to the Department of
7 Education; and providing for an effective date."

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

9 * Section 1. The sum of \$9,109,202 is appropriated from the general fund
10 to the Department of Education for the fiscal year ending June 30, 1977, to
11 be allocated as follows:

12	Foundation Program - Regular	\$1,956,733
13	Foundation Program - REAA's	2,638,000
14	Pupil Transportation - Regular	2,163,100
15	Local Formula - REAA's	1,217,470
16	AVEC and other	615,000
17	Safe Water	103,000
18	Audit Exception - Vocational Education	15,889
19	Bering Strait REAA	400,000

20 * Sec. 2. The sum of \$2,565,000 is appropriated from the general fund to
21 the Department of Education for the fiscal year ending June 30, 1978 to be
22 allocated as follows:

23 Major maintenance projects having a cost
24 in excess of \$10,000 such as, but not
25 limited to, roof repair, water and
26 sewer improvement, fire and life safety,
27 boilers, power generators and correction
28 of building code deficiencies - REAA's \$2,350,000
29 Survey of existing REAA facilities for

added to Senate Bill

1 cost of correcting life safety and
2 other deficiencies of the facilities \$ 215,000

3 * Sec. 3. Section 1 of this Act takes effect immediately in accordance
4 with AS 01.10.070(c); sec. 2 of this Act takes effect July 1, 1977.
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Original sponsor: Rules Committee by
request of the Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 150

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 Education; and providing for an effective

8

date."

9

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

10

* Section 1. The sum of \$8,709,192 is appropriated from the general fund

11

to the Department of Education for the fiscal year ending June 30, 1977, to

12

be allocated as follows:

13

Foundation Program - Regular \$1,956,733

14

Foundation Program - REAA's 2,638,000

15

Pupil Transportation - Regular 2,163,100

16

Local Formula - REAA's 1,217,470

17

AVEC and other 615,000

18

Safe Water 103,000

19

Audit Exception - Vocational Education 15,889

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* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-

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070(c).

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In JFC 3-1-77

Introduced: 2/11/77
Referred: Health, Education,
Social Services and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 THE SENATE

2 SENATE BILL NO. 150

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 Education; and providing for an effective date."
8

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

\$8,709,192.00

10 * Section 1. The sum of \$13,768,325 is appropriated from the general
11 fund to the Department of Education for Fiscal Year 1977, allocated as
12 follows:

13	Foundation Program - Regular	\$2,000,000	<i>1,956,733</i>
14	Foundation Program - REAA's	7,638,000	<i>(50)</i>
15	Pupil Transportation - Regular	2,163,100	
16	Local Formula - REAA's	1,217,470	
17	AVEC and other	615,000	
18	Safe Water	103,000	
19	ASOSS FY 76 Negative Balance	15,866	<i>0</i>
20	Audit Exception - Vocational		
21	Education	15,889	

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

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RECEIVED
ALASKA STATE LEGISLATURE
JAN 11 1977

February 11, 1977

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

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 for a supplemental appropriation of \$13,768,325 to the Department of Education.

Sincerely,

Jay S. Hammond
Governor

STATE
of ALASKA

MEMORANDUM

SB 150

TO: [Ron Lind, Director
Budget and Management
Office of the Governor

DATE: February 2, 1977

FILE NO:

TELEPHONE NO:

FROM: Nat Cole, Deputy Commissioner
Department of Education

SUBJECT: FY-77 Supplemental

I. Foundation Program - Regular

FY-77	Appropriation	\$123,657.1
	1st Quarter Revised	<u>125,657.1</u>
		(2,000.0)

\$43,000

Based on revised estimates received from the school districts.
Appropriation figures include the increase from 93% to 95% floor
for foundation support.

II. Foundation Program - REAA's

(a)	FY-77	Appropriation	40,422.5
		1st Quarter Revised Est.	<u>43,060.5</u>
			(2,638.0)

Increase due to increased number of local secondary programs and
assumption of formerly BIA-operated schools.

(b)	P.L. 874 Shortfall	<u>(5,000.0)</u>
		(7,638,000)

Due to a federal ruling, the P.L. 874 funds which were projected in the
FY-77 budget will now go directly to REAA's. First payments of P.L. 874
funds are made about March of the current fiscal year and in October of
the next fiscal year. Such delays would cause severe cash flow problems
for REAA's. In order to relieve this problem, the Department is proposing
that foundation payments be continued to REAA's. This would require an
estimated \$5,000,000 increase in state funding for FY-77 since our current
projected 874 receipts are \$21,300.0 and we have budgeted \$26,300.0.

Total foundation program - REAA's (7,638,000)

III. Pupil Transportation - Regular

FY-77	Appropriation	11,205.6
	Revised Estimate	<u>13,368.7</u>
	Supplemental Needed	(2,163.1)

The estimated transportation cost for FY-77 will be \$13,368.7. The FY-77 appropriation was \$11,205.6 which produced a \$ 2,163.1 shortfall.

IV. Local Formula - REAA's

Based on city and borough school district audit reports for FY 1976, the In-Lieu-of Rate per ADM for REAA funding for FY 1977 is as follows:

City and Borough appropriations	\$31,597,862
City and Borough In-kind Support	715,187
Mini 874 Revenue	3,353,813
PL 874 Revenue	5,591,219
Tuition	<u>2,313,124</u>
Total	\$43,571,205

City and Borough ADM (excluding Base Schools) with half-day kindergarten students, counted as one-half - 71,268

$$43,571,205 \div 71,268 = \$611.37 \text{ or } \underline{\$611.00}$$

To fund a rate of \$611.00, using the first quarter ADM figure of 10,770, a supplemental of \$1,217,470 is required ($10,770 \times \$611 = \$6,580,470 - \$5,363,000 \text{ appr} - \$1,217,470$).

V. AVEC.

\$615,000

The Department of Education respectfully requests a supplemental request of \$615,000 to fund the subsidy for community service in the REAA school districts where the Alaska Village Electrical Cooperative supplies power to the school. As you are aware, the state contract with AVEC provides for a fixed fee regardless of the amount of power used plus a cost of fuel escalation clause. Regardless of how much power the school uses, the amount of payment to AVEC remains constant. There has been an inter-governmental group (see memorandum of Aug. 20, 1976) seeking solutions to how the subsidy schools have been paying for village electrification and the benefit of other consumers could better be handled. The group believes the proposed formula provides the REAA's incentive and keeps AVEC from assuming carte blanche in supplying power to schools and villages.

Based on projected actual usage, the schools would pay an estimated \$573,619, whereas the state subsidy of community service would be \$614,804. The proposed formula endorsed by the intergovernmental task group has been the method used in determining the amount of subsidy. The formula would require the REAA to pay 17¢ per KWH (the average statewide rate AVEC charges) plus the area differential in the state funding program.

VI. Safe Water \$100,000

Safe water facilities are being subsidized by ADEC. However, the subsidy varies from site to site. Three sites, Selawick, Alakanuk, Nulato, with identical plants and similar costs, receive different ADEC subsidy, while the school districts are charged unlike rates. Whereas Selawick district pays an annual fee of \$20,500, Alakanuk and Nulato districts pay \$72,000. To be treated equitably, Alakanuk and Nulato should pay the same rate as the Selawick district; $\$72,000 - \$20,500 = \$51,500$ subsidy needed per site.

Total supplemental needed is \$103,000

VII. ASOSS FY 76 Negative Balance

When SOS (Dept. 19) was abolished on 6/30/75, there were state purchase orders for military base schools in process in the amount of \$303,900. Rather than cancel the orders for needed equipment and supplies, funds appropriated to the Department of Education for base schools were transferred to a FY 76 account for AUBSD's use in encumbering and paying for the state purchase orders for base schools.

When Department 19 was terminated on 6/30/75, no provisions were made to fund FY 75 termination pay, penalty pay and retro-salary increases so the Department of Administration charged these FY 75 payroll costs against the FY 76 account for base school supplies and equipment.

The Department of Education made every effort to cover these costs and was able to cover all but \$15,866.22 of the \$456,573.39 in deficit FY 1975 SOS payroll costs charged to the Department of Education account.

VIII. Audit Exception - Vocational Education

On September 24, 1977, the Alaska Department of Administration, Internal Audit, completed a review on Vocational Education Memorandum of Agreements with Alaska Methodist University (Nos. 3810-76 and 3805-76) in which ineligible reimbursement project costs under federal guidelines were found amounting to \$15,888.70. The review further indicated that the ineligible costs resulted from questionable judgment by program administrators.

Alaska Methodist University states that it had acted "in good faith" under the direction of the DOE grant supervisor, and therefore, the ineligible federal funds withheld by the DOE from final payment to AMU was not justified.

Supplemental state funds requested in the amount of \$15,888.70 for reimbursement of AMU for services under the above memorandums does not represent a corresponding loss of federal vocational education funds. During FY 1977, Alaska received approximately \$340,000 more in federal funding than originally anticipated without a needed increase in state or local matching monies. Therefore, supplemental funding requested does not reflect a decrease in the state's treasury, but rather a means of reimbursing AMU for expenditures disallowed by federal rules and regulations.

STATE
of ALASKA

MEMORANDUM

TO: Bill Thomson

DATE : February 7, 1977

FROM: Bob Lehman *BL*SUBJECT: Information on Regional
Resource Centers

As you know the total amount available is \$400,000. The funding distribution looks like this:

<u>RRC</u>	<u>Basic</u>	<u>Participating ADM (est)</u>	<u>\$ on ADM</u>	<u>Total</u>
1. Southcentral/Chain	\$30,000	14,429	\$116,063	\$146,063
2. Western	30,000*	----	----	30,000
3. Northwest	30,000	2,716	21,847	51,847
4. Bristol Bay	30,000	1,550	12,468	42,468
5. Interior	----	----	----	----
6. Southeast	30,000	12,385	99,622	189,622
	<u>150,000</u>	<u>31,080</u>	<u>250,000</u>	<u>\$400,622</u>

* Planning grant (only \$15,000 has been requested to date)

The attached list of districts by region shows that all districts in the state except Anchorage and those with the interior region are participating in the center concept. Reliable sources indicate Anchorage will join the SCRRC next year. If this occurs the ADM of that region will jump to 54,000, this would leave only a little over \$200,000 for the other four centers.

If you have any questions, please contact me.

(b) The districts located within the boundaries are as follows:

(1) Southcentral, Aleutian Chain and Kodiak Regional Resource Center boundaries:

Adak Regional School District	Kenai Peninsula Borough School Dist.
Anchorage School District	King Cove School District
Aleutian Chain School District	Matanuska-Susitna Borough School Dist.
Chugach School District	Pribilof Islands School District
Copper River School District	Unalaska City School District
Cordova School District	Valdez City School District
Kodiak Island Borough School District	

(2) Western Regional Resource Center boundaries:

Iditarod Area School Dist.	Lower Yukon School District
Kuspuk School District	St. Mary's City School Dist.
Lower Kuskokwim School Dist.	

(3) Northwest Regional Resource Center boundaries:

Bering Straits School District	Northwest Arctic School District
Nome City School District	Selawik City School District

(4) Bristol Bay Regional Resource Center boundaries:

Bristol Bay Borough School Dist.	Lake Peninsula School District
Dillingham City School District	Southwest Regional School District

~~(5)~~ Interior Alaska Regional Resource Center boundaries:

Alaska Gateway School District	North Star Borough School District
Delta-Greely School District	Upper Railbelt School District
Galena City School District	Yukon Flats School District
Nenana City School District	Yukon Koyukuk School District
North Slope Borough School District	

(6) Southeast Regional Resource Center boundaries:

Annette Island School District	Klawock City School District
Chatham School District	Pelican City School District
Craig City School District	Petersburg City School District
Gateway Borough School District	Skagway City School District
Haines Borough School District	Sitka Borough School District
Hoonah City School District	Southeast Is. School District
Hydaburg City School District	Wrangell City School District
Juneau Borough School District	Yakutat City School District
Kake City School District	

1 SCRRC PROPOSED BUDGET

(Rev. 8/17/77)

- 1.

1976-1977

The budget is projected on the basis of the following assumptions and conditions. The first assumption is that the SC RRC will be granted at least the same amount of money for this fiscal year as was received for the LRC last year. Last year, the LRC received \$103,000 (10% of which was retained by the Alaska Treatment Center for grant management). Secondly, approximately \$28,649 of LRC funds will be carried over for support of special services

The personnel costs for the accounting technician and secretary position are based on current local LEA salary schedules. The salary of the center director and LRC coordinator are based on similar positions in the Anchorage District.

Services will be available through the Northwest Regional Learning Resource System at no cost to the center. In addition, it is anticipated the center will receive supplemental service contracts from the Department of Education for service delivery.

	FTE	State Funds/Fed. Funds	Total
1.0 Personnel			
1.1 Director	1.0	\$ 32,845.00	
1.2 LRC Coordinator	1.0	20,160.00	
1.3 Accounting Technician	1.0	15,658.00	
1.4 Secretary	.5	6,723.00	\$ 75,386.00
2.0 Employee Benefits & Payroll			
Tax Expenses (20% of salaries)		15,077.00	15,077.00
3.0 Equipment and Supplies			
2.1 Duplication		1,400.00	
2.2 Office Equipment		1,500.00	
2.3 Supplies and postage		3,000.00	5,900.00
4.0 Communications			
4.1 Telephones		2,000.00	2,000.00
5.0 Facilities Rental		8,016.00	8,016.00
6.0 Travel			
6.1 Director		5,000.00	
6.2 LRC Coordinator		11,500.00	
6.3 Board		3,200.00	19,700.00
7.0 Instructional Materials			
7.1 Dissemination		1,500.00	
7.2 Acquisition		2,000.00	3,500.00
8.0 Contracted Services ²		16,000.00	16,000.00
9.0 Fiscal Services			
9.1 Computerized accounting		2,500.00	
9.2 Audit		800.00	3,300.00
10.0 Bonding		500.00	500.00
			<u>\$179,375.00</u>

1-Funds provided for .5 FTE secretary on reading skills improvement grant.

2-Funds are for employment of professional on a short-term (.50 FTE or less) to

SCRRC Proposed Budget for 1976-77
8/17/76 (Rev.)

Anticipated Income:

1.0 State Grant	\$149,379.00
2.0 LRC Carryover ²	28,649.00
3.0 Grant Overhead ³	<u>3,336.00</u>
	: <u>\$181,364.00</u>

2 - As of July 1, 1976, these funds are being used to operate the LRC/RRC between July 1, 1976 and September 30, 1976.

3 - Revenue generated from reading skills improvement grant. Grant funds total \$104,273 for the first 18 month cycle. All services have been contracted to the Kenai and Matanuska-Susitna Borough Schools. Except for overhead, these funds are not available for resource center programs and are, therefore, not presented as a budget category.

3 NORTHWEST REGIONAL RESOURCE CENTER

BUDGET

(October 1, 1976 - June 30, 1977)

REVENUE

248,781.32

Bering Strait R.E.A.A.	41,368.89
Bureau of Indian Affairs	10,000.00
Nome Public Schools	62,000.00
Requested State Grant	135,412.43

SUMMARY OF EXPENDITURES

TOTAL PERSONNEL (153,708.00)

CERTIFIED SALARIES

118,134.00

Director (9 months)	26,752.00
Instructional Program Assmnt. Spec.	27,397.00
Media & Materials Specialist (9 months)	26,720.00
Grant Writer	26,720.00
Employee Insurance	1,200.00
Workman's Comp.	1,000.00
Teacher's Retirement	8,345.00

CLASSIFIED SALARIES

35,574.00

Administrative Assistant (8.74 p/hr.)	12,825.00
Media Technician (8.71 p/hr.)	12,744.00
Librarian/Clerk (½ time, 8.50 p/hr.)	6,120.00
FICA	1,860.00
Workman's Comp.	1,200.00
Insurance	825.00

CONSULTANTS AND CONTRACTS

6,950.00

Consultant Travel	1,800.00
Consultant 65/day per diem (10 days)	650.00
Consultant 150/day fees (10 days)	1,500.00
Bering Strait's Media-Language Evaluation	3,000.00

TRAVEL

37,746.37

Board of Directors Meetings (8 meetings @550.00)	4,400.00
Per Diem (8 meetings x 200 per meeting)	1,600.00
Professional Meetings	3,400.00
Per Diem	2,000.00

TRAVEL (continued)

Media Specialist	3,005.00
Per Diem	2,200.00
Media Technician	1,670.00
Per Diem	900.00
Bering Straits Contract	
Travel	7,583.74
Per Diem	8,487.63
Nome Contract	
Travel	1,500.00
Per Diem	1,000.00

CENTER OPERATION50,376.95

Rent	4,000.00
Telephone	1,300.00
Office Equipment	6,000.00
Postage	750.00
Supplies (consumables)	2,316.95
Supplies, Parts (Media Technician)	800.00
Testing Materials	1,000.00
A-V Materials & Equipment	10,000.00
Instructional Materials	6,000.00
Nome Contract, Instructional Materials	3,000.00
Periodicals, Mags, Journals, Prof. Books	400.00
Bookkeeping & Accounting	2,660.00
Year End Audit	4,200.00
Bonding	500.00
Insurance (Fire)	3,000.00
Liability	500.00
Staff Development	3,500.00
Newsletter	450.00

TOTAL EXPENDITURES248,781.32

Brent Bay

4 PROPOSED BUDGET FY 77

PER BASIS:

.....	\$28,224.00	
Ed Specialist	20,423.00	
Student	12,520.00	
Work	9,629.00	
Over-time)	3,174.00	
	<u>79,951.87</u>	
(17% of salaries)	13,593.52	
	<u>93,545.39</u>	\$93,545.39

ADMINISTRATIVE (includes .5 Psychologist, Grant Writer, Workshops, etc.) 31,746.01

(BBB School District) 800.00
..... 4,000.00
4,800.00 4,800.00

..... 1,500.00
..... 1,500.00
3,000.00 3,000.00

..... (we are covered while materials are in the
in. School Fire Insurance)

..... 600.00

Facilities) 3,000.00

..... 6,000.00
..... 6,000.00
..... 2,500.00
14,500.00 14,500.00

TRANSPORTATION 400.00

INS & MAINTENANCE 500.00
..... 3,500.00

APPLIANCES 15,000.00

..... (2), metal shelving, dictaphon, 2,000.00

\$173,102.00

.....	\$42,000.00
FF)	126,432.00
.....	4,044.00
(Fund FY 76)	626.00
	<u>\$173,102.00</u>

6 SOUTH EAST REGIONAL RESOURCE CENTER

FY-77 BUDGET

REVENUES

1. Beginning balance	\$ 2,341
2. Alaska Department of Education grant request	124,775
3.* District Contracts	69,000
4. FY-76 Carry over	6,389
5. Self Sustaining Grants	
(a) University of Oregon Grant	3,750
(b) Easter Seal Society	340
(c) University of Oregon	1,980
(d) Kake Additional Contract	<u>1,200</u>
TOTAL	\$209,775

EXPENDITURE RECAP

1. Function 300 Supporting Services-Pupils	\$ 34,209
2. Function 400 Supporting Services-Instruction	53,739 83,348
3. Function 500 General Support Services	69,858
4. Function 605 Operation & Maintenance of Plant	<u>16,460</u>
TOTAL	\$174,266 209,775

* Annette Island	\$2,500	Klawock	\$3,000
Chatham Strait	3,000	Pelican	-0-
Craig	3,500	Petersburg	12,500
Haines	-0-	Sitka	-0-
Hoonah	14,000	Skagway	6,000
Hydaburg	3,000	Southeast Is.	4,000
Juneau	-0-	Wrangell	12,500
Kake	5,000	Yakutat	-0-
Ketchikan	-0-		

RRC Services Offered

1. Southcentral

- Needs Assessment
- Reading Skills Improvement
- Information Dissemination
- Special Education
- Curriculum Development
- Psychological Services
- Media/Materials Services

2. Western

- Plan and conduct needs assessment
- Identify cooperative services for region

3. Northwest

- Special Education
- Instructional Materials and Media
- Needs Assessment
- Inservice/Workshop
- Information Dissemination
- Grant Writing

4. Bristol Bay

- Inservice/Workshops
- Instructional Materials Center
- Information Dissemination
- Development of Instructional Materials and Teacher Training Materials
- Curriculum Development
- Needs Assessment
- Special Education

6. Southeast

- Materials-Media-Curriculum Center
- Special Education
- Vocational Education - Programmed Instruction
- Psychological Services
- Grant Writing
- Inservice Training
- Talent Bank
- Information Dissemination
- Regional Norms
- Personnel Services

STATE
of ALASKA

MEMORANDUM

TO: William D. Thomson, Director
Management, Law & Finance

DATE , February 8, 1977

FROM: Kenneth Grieser, Deputy Director
Management, Law & Finance

SUBJECT: FY 77 Supplemental Appropriation

I. Foundation Program - Regular	
FY 77 Appropriation	123,657.1
1st quarter revised (see attachment #1)	<u>123,669.1</u>
Increase over appropriation	12.0
Additional projected instructional units in special education ⁽¹⁾ and vocational education.	
78 ⁽²⁾ X average value of unit \$25,425.39 =	1,983,180
Total additional funds needed	<u>1,995,180</u>
Our request was rounded out to	2,000,000

(1) Because school districts are following a new procedure on the identification of special education students; all students had not been officially identified by the end of the first quarter.

(2) This number consists of 63 special education units (46 for Anchorage) and 14 vocational education units.

II. Foundation Program REAA's

FY 77 Appropriation	40,422,500
1st quarter revised (attachment #2)	<u>43,060,500</u>
Total increase over appropriation	2,638,000

The first quarter increase was due primarily to the takeover of seven BIA schools and an increase in new secondary programs.

Exhibit #1

12-7-76

STATE OF ALASKA
DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
REVISED REPORT RECAPITULATIONS
1976-77 FISCAL YEAR

School District	Final ADM (1975-76)	Revised ADM 1st Qtr.	Instr. Units	Instr. Unit Allotment	Basic Need	Level of State Support (93% Min.)	Final Computation of Entitlement	Per ADM
Anchorage	35,535	35,622	2,050	25,000	51,250,000	95.3797	48,882,096	1,372
*Contract Schools, Other	247	244	44	25,000	1,100,000	100.0000	1,100,000	4,508
Bristol Bay	249	258	26	33,141	861,666	95.3312	821,437	3,184
Cordova	550	527	48	28,750	1,380,000	97.2497	1,342,046	2,547
Craig	151	160	17	26,875	456,875	98.7520	451,173	2,820
Dillingham	402	426	39	33,141	1,292,499	98.6623	1,275,209	2,993
Fairbanks	9,133	9,387	607	27,813	16,882,491	95.2500	16,080,573	1,713
Galena	141	135	15	35,110	526,650	99.3998	523,489	3,878
Haines	474	444	41	26,875	1,101,875	96.1887	1,059,879	2,387
Hoonah	260	280	29	26,875	779,375	99.4199	774,854	2,767
Hydaburg	113	105	14	26,875	376,250	99.3805	373,919	3,561
Juneau	4,303	4,325	295	25,000	7,375,000	96.4558	7,113,615	1,645
Kenai	198	208	22	26,875	591,250	99.5057	588,327	2,828
Kenai	5,022	5,248	381	26,875	10,239,375	95.0000	9,727,406	1,854
Ketchikan	2,597	2,600	180	25,000	4,500,000	95.2547	4,286,462	1,649
King Cove	116	124	14	33,141	463,974	99.2731	460,601	3,715
Klawock	63	78	8	26,875	215,000	99.4195	213,752	2,740
Kodiak	2,093	2,129	170	28,219	4,797,230	97.0415	4,655,304	2,187
Matanuska-Susitna	3,130	3,474	244	25,938	6,328,872	95.5571	6,047,687	1,741
Nenana	187	189	22	33,438	735,636	98.9469	727,889	3,851
Nome	894	887	71	33,141	2,353,011	99.1085	2,332,034	2,629
North Slope	1,074	1,136	116	35,110	4,072,760	95.0000	3,869,122	3,406
Pelican	38	34	5	28,219	141,095	96.1740	135,697	3,991
Petersburg	620	613	46	25,000	1,150,000	97.1258	1,116,947	1,822
Selawik	199	197	20	35,110	702,200	99.7268	700,282	3,555
Sitka	1,699	1,672	123	25,938	3,190,374	95.8892	3,059,224	1,820
Skagway	217	215	20	26,875	537,500	95.1092	511,212	2,378
St. Mary's	113	104	17	34,125	580,125	99.6967	578,365	5,561
Unalaska	120	129	16	33,141	530,256	97.6924	518,020	4,016
Valdez	862	958	76	28,750	2,185,000	95.0000	2,075,750	2,167
Wrangell	567	538	45	25,938	1,167,210	97.6835	1,140,172	2,119
Yakutat	148	162	17	28,219	479,723	99.3478	476,594	2,942
TOTAL	71,515	72,608	4,838		128,343,272		123,019,137	
Centralized Correspondence		434	26	25,000	650,000		650,000	
*Contract schools - full cost is assumed by the state.					<u>128,993,272</u>		<u>123,669,137</u>	

SUPPLEMENT TO REVISED FOUNDATION REPORT DATED 12/15/76

STATE OF ALASKA
DEPARTMENT OF EDUCATION

School District	Revised ADM 1st Qtr. 1976-77	1-1-75 Property Value	Value Per ADM	Index	Level of State Support (95% Min.)	Matching Ratio: 1 Local Support
Anchorage	35,622	\$2,935,044,735	\$ 82,394	.92405	95.3797	20.6438
*St. Rich. & Elem.	-	-	-	-	-	-
*Contract Schools, Other	-	-	-	-	-	-
Bristol Bay	258	21,481,048	83,259	.93376	95.3312	20.4187
Cordova	527	25,847,685	49,046	.55006	97.2497	35.3595
Craig	160	3,561,060	22,257	.24961	98.7520	79.1254
Dillingham	426	10,162,467	23,856	.26754	98.6623	73.7549
Fairbanks	9,387	795,157,070	84,708	.95001	95.2500	20.0525
*Mainwright & Eielson	-	-	-	-	-	-
Galena	135	1,445,000	10,704	.12004	99.3998	165.6078
Haines	444	30,177,406	67,967	.76225	96.1887	25.2380
Hoonah	280	2,896,750	10,346	.11603	99.4199	171.3758
Hydaburg	105	1,160,000	11,048	.12390	99.3805	160.4212
Juneau	4,325	273,362,585	63,205	.70885	96.4558	27.2148
Kake	208	1,833,500	8,815	.09886	99.5057	201.3074
Kenai	5,248	727,586,155	138,641	1.55485	95.0000	19.0000
Ketchikan	2,600	220,019,825	84,623	.94905	95.2547	20.0737
King Cove	124	1,607,325	12,962	.14537	99.2731	136.5775
Klawock	78	807,425	10,352	.11609	99.4195	171.2748
Kodiak	2,129	112,324,150	52,759	.59170	97.0415	32.8012
Matanuska-Susitna	3,474	275,250,605	79,232	.88859	95.5571	21.5077
Nenana	189	3,549,395	18,780	.21062	98.9469	93.9591
Nome	887	14,101,800	15,898	.17830	99.1085	111.704
North Slope	1,136	560,968,180	493,810	5.53810	95.0000	19.0000
Pelican	34	2,319,785	68,229	.76519	96.1740	25.1373
Petersburg	613	31,420,066	51,256	.57484	97.1258	33.7923
Selawik	197	959,950	4,873	.05465	99.7268	364.9712
Sitka	1,672	122,573,565	73,310	.82217	95.8892	23.3259
Skagway	215	18,751,910	87,218	.97816	95.1092	19.4467
St. Mary's	104	562,500	5,409	.06066	99.6957	328.7161
Unalaska	129	5,308,500	41,151	.45151	97.6924	42.3358
Valdez	958	228,073,510	238,073	2.66999	95.0000	19.0000
Wrangell	538	22,225,110	41,311	.46330	97.6835	42.1686
Yakutat	162	1,884,050	11,630	.13043	99.3478	152.3387
TOTALS	72,364	6,452,423,112	89,166	Average		

STATE OF ALASKA DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM COMPUTATIONS
REVISED REPORTS RECAPITULATIONS
1976-77 FISCAL YEAR

REGIONAL EDUCATION ATTENDANCE AREAS	Final ADM 1975-76	Revised ADM End of 1st Otr.	Instr. Units	Instr. Unit Allotment	Basic Need	Equiv. of Local Support Estimate @ 575.00 ADM	Revised Computation of Entitlement	Per ADM
Adak	606	623	44	33,141	1,458,204	358,225	1,816,429	2,916
Alaska Gateway	397	440	48	27,813	1,335,024	253,000	1,588,024	3,582
Aleutian	221	220	25	33,141	828,525	126,500	955,025	4,341
Annette	392	400	34	26,250	892,500	230,000	1,122,500	2,806
Bering Straits	187	322	41	33,141	1,358,781	185,150	1,543,931	4,794
Chatham	110	155	20	27,235	544,700	89,125	633,825	4,089
Chugach	51	72	10	30,188	301,880	41,400	343,280	4,150
Copper River	743	740	68	28,750	1,955,000	425,500	2,380,500	3,216
Delta/Greely	823	835	64	27,813	1,780,032	480,125	2,260,157	2,707
Iditarod	279	305	38	35,110	1,334,160	175,375	1,509,555	4,949
Kuspuk	262	366	42	35,110	1,474,620	210,450	1,685,070	4,604
Lake & Peninsula	354	346	47	33,141	1,557,627	198,950	1,756,577	5,090
Lower Kuskokwim	1,300	1,457	108	34,125	3,685,500	837,775	4,523,275	3,105
Lower Yukon	234	729	72	34,125	2,457,000	419,175	2,876,175	3,945
Northwest Arctic	596	1,310	116	35,110	4,072,760	753,250	4,826,010	3,683
Pribilof	181	185	22	33,141	729,102	106,375	835,477	4,516
Southeast Island	423	396	46	26,250	1,207,500	227,700	1,435,200	3,557
Southwest	525	520	60	33,141	1,988,460	299,000	2,287,460	4,399
Upper Railbelt	338	358	41	33,438	1,370,958	205,850	1,576,808	4,404
Yukon Flats	291	292	32	35,110	1,123,520	167,900	1,291,420	4,422
Yukon Koyukuk	672	699	84	35,110	2,949,240	401,925	3,351,165	4,794
<u>TOTALS</u>	8,985	10,770	1,062		34,405,113	6,192,750	40,597,863	

Military Contract Schools 8,655,389

Total 43,060,502

plement of REAA Revised Foundation Report dated 12/15/76.

STATE OF ALASKA
DEPARTMENT OF EDUCATION

1976-77 Revised ADM

Instructional Units

AREA	1st.Qtr:	ADM					Instructional Units					Total
	1976-77	Elem.	Sec.	Spec. Ed. (Non-Add)	Corres.	Voc. Ed. (Non-Add)	Elem.	Sec.	Spec. Ed.	Corres.	Voc. Ed.	
Adak	623	420	203	14	-	17	25	15	2	-	2	44
Alaska Gateway	440	290	115	25	39	14	25	13	4	4	2	48
Arctic	220	188	32	13	-	-	20	3	2	-	-	25
Bering Strait	400	233	167	35	-	22	17	11	4	-	2	34
Chukotka	322	151	171	19	-	18	18	18	3	-	2	41
Chukchi	155	89	66	13	-	14	10	6	2	-	2	20
Chukotka	72	51	21	5	-	-	6	3	1	-	-	10
Copper River	740	416	258	49	66	28	34	19	6	6	3	68
Delta/Greely	835	445	363	57	27	47	27	24	6	3	4	64
Delta	305	200	93	10	12	14	21	11	2	2	2	38
Delta	366	246	103	11	17	8	26	11	2	2	1	42
Delta & Peninsula	346	273	57	26	15	20	32	7	4	2	2	47
Delta Kuskokwim	1,457	671	786	90	-	54	43	50	9	-	6	108
Delta Yukon	729	463	266	68	-	58	35	23	7	-	7	72
Delta Arctic	1,310	727	573	24	5	59	57	48	3	1	7	116
Delta	185	119	66	16	-	12	11	6	3	-	2	22
Delta Island	396	246	55	26	95	-	30	5	4	7	-	46
Delta	520	376	133	49	11	16	37	13	6	2	2	60
Delta Railbelt	358	200	158	10	-	28	19	17	2	-	3	41
Delta Flats	292	193	95	15	4	8	21	8	2	-	1	32
Delta Kevukuk	699	438	214	38	47	44	44	24	5	5	6	84
TOTALS	10,770	6,435	4,000	613	338	481	558	335	79	34	56	1,052

L-81151 4.0

SUMMARY OF PEOPLE TRANSPORTATION
EXPENDITURES

District	Actual 1975-76	Projected 1976-77	Projected 1977-78
Anchorage	4,210,619.23	4,872,024	5,237,426.00
Bristol Bay	50,807.00	53,280	57,276.00
Cordova	13,915.00	16,455	17,690.00
Craig	13,960.90	13,855	14,895.00
Dillingham	50,852.24	53,828	57,866.10
Fairbanks	1,668,283.82	3,053,540	3,237,556.00
Galena	9,986.00	9,900	10,643.00
Haines	44,733.20	44,172	47,485.00
Hoonah	82.00	100	108.00
Juneau	369,355.36	479,352	515,304.00
Kake	10,771.00	10,800	11,610.00
Kenai	1,008,753.41	356,210	1,492,150.00
Ketchikan	289,416.53	1,388,046	382,926.00
King Cove	2,183.10	2,700	2,903.00
Kodiak	97,590.30	112,302	120,725.00
Mat-Susitna	774,809.39	1,594,284	1,713,856.00
Nenana	44,031.00	43,776	47,060.00
Nome	62,239.98	62,053	66,707.00
North Slope	75,827.44	80,000	86,000.00
Petersburg	48,552.37	54,461	58,546.00
Selawik	971.32	950	1,024.00
Sitka	89,526.45	87,909	94,503.00
Skagway	862.50	1,656	1,781.00
Unalaska	43,717.54	54,180	58,244.00
Valdez	84,357.51	111,096	119,429.00
Wrangell	36,646.64	35,554	38,221.00
Yakutat	22,608.10	23,940	25,736.00
Adak	64,649.17	65,000	69,875.00
Alaska Gateway	115,756.76	131,601	141,473.00
Annette	14,198.40	14,200	15,266.00
Copper River	287,763.55	304,766	327,624.00
Delta-Greely	144,979.58	237,868	255,709.00
Lake Peninsula	10,080.00	10,800	11,610.00
Lower Kuskokwim	36,638.04	38,640	41,538.00
Southeast Island	7,023.80	12,012	12,913.00
Upper Railbelt	78,486.77	143,000	153,725.00
TOTAL	9,885,035.40	13,574,310	14,592,400.00

to: William D. Thomson, Director
Management, Law & Finance

DATE : February 2, 1977

FROM: Richard J. Penrod
School Finance Specialist

SUBJECT: 1976 REAA In-Lieu-of
Local Support Rate

This memorandum supersedes my memorandum of January 20, 1977, which was in error.

Based on city and borough school district audit reports for FY 1976, the In-Lieu-of Rate per ADM for REAA funding for FY 1977 is as follows:

City and Borough appropriations	\$31,597,862
City and Borough In-kind Support	715,187
Mini 874 Revenue	3,353,813
PL 874 Revenue	5,591,219
Tuition	<u>2,313,124</u>
Total	\$43,571,205

City and Borough ADM, (excluding Base Schools) with half-day kindergarten students, counted as one-half = 71,268

$$43,571,205 \div 71,268 = \$611.37 \text{ or } \$611.00$$

Presently, the supplemental requested of \$829,800 will only fund the estimated rate of \$575.00. To fund a rate of \$611.00, using the first quarter ADM figure of 10,770, a supplemental of \$1,217,470 is required ($10,770 \times \$611 = \$6,580,470 - \$5,363,000 \text{ appr.} = \$1,217,470$).

For FY 78, it appears from budget figures that the rate will be an estimated \$.94.00 computed as follows:

Est. City and Borough Appropriation	\$48,643,800
Est. City and Borough In-kind Support	800,000
Est. PL 874 Revenue	5,600,000
Est. Tuition	2,400,000
Mini 874	-0-
Total	<u>\$57,443,800</u>

$$\begin{aligned} \text{First Quarter FY 77 ADM} &= 72,364 \\ \$57,443,800 \div 72,364 &= 793.82 \end{aligned}$$

It would appear that the minimum appropriation for FY 1978 should be 11,619 x \$794, or \$9,225,500. The present request is for \$7,552,400. Any Mini 874 funding would, of course, increase the rate above \$794.00.

STATE OF ALASKA

DEPARTMENT OF EDUCATION

DIVISION OF MANAGEMENT AND FINANCE

EXHIBIT 5
JAY S. HAMMOND, GOVERNOR

POUCH F - STATE OFFICE BUILDING
JUNEAU 99811

August 20, 1976

MEMORANDUM

TO: Sue Greene, Special Assistant
Office of the Governor
Jim Edenso, Deputy Commissioner
Dept of Commerce & Economic Development
Mike Harper, Deputy Commissioner
Dept. of Community & Regional Affairs
Richard Holden, Deputy Commissioner
Dept. of Public Works
Ronald Lorensen, Assistant Attorney General
Dept. of Law
Dan Dawson, Budget Analyst, Budget & Management
Office of the Governor
Nathaniel Cole, Deputy Commissioner
Dept. of Education

FROM: William D. Thomson, Director
Management, Law and Finance
Dept. of Education

SUBJ: Proposed formula for treating REAA's schools the same as other consumers -- Alaska Village Electric Cooperative (AVEC) power.

Per our meeting of August 2, 1976, and a subsequent meeting Friday, August 13, the following is a proposed solution by which the REAA school districts using AVEC power would be charged equitably as compared with rates charged to AVEC customers.

For your information, the current contract for AVEC power at the village schools is between AVEC and the State of Alaska. Such contract does not expire until FY 79. The State will continue for FY 77 the existing AVEC contract with the State as prime contractor while assigning its rights under that contract to the REAAs. (See letter from Sue Greene to Loyd M. Hodson, July 19, 1976, attached.)

The contract also provides that the State must pay a one time disconnect charge of \$90,000 per site whether such disconnect is during or at the end of the contract period (contract is renewable at the option of AVEC).

At the current time, the schools are charged a unit established by APUC as a reasonable charge for AVEC for the school. The current value of that unit is a flat rate of \$2,835 per month regardless of the amount of power used,

August 20, 1976

plus a cost of fuel escalation clause. The unit value for FY 77 is estimated at \$40,980. In certain locations, because of higher power requirements, those with new separate secondary schools are charged two units under the AVEC contract. School officials have objected to the flat rate charge for they feel it does not provide them with an incentive to conserve. They also feel they are treated inequitably or pay a higher rate than other consumers. (See Column 4, Exhibit I, which shows the actual cost per KWH). In effect, they are paying a subsidy to AVEC for the benefit of other consumers; this is a community service rather than an educational expense.

To remove the expense of this community service from the educational dollar, attached find a proposed formula, Exhibit I, which would insure an equitable charge for power to the schools, with the difference between the school cost and the State contract with AVEC being treated as a subsidy for community service. The basic assumptions for the formula are as follows:

Charge the schools at the same rate as other consumers. Based on Exhibit II, attached, provided by AVEC for calendar year '75, the cost to other consumers is 17¢ per kilowatt, however, the AVEC is filing a proposed rate change for other consumers with the APUC. Therefore, as a matter of comparison, we have treated reasonable cost to the school, as compared to other consumers, at 17¢, 19¢, and 27¢ per kilowatt hour. In addition, we have used the total kilowatt hours used by the state schools, as provided by AVEC for calendar '75, adjusted some of those to reflect full year costs for new high schools or new additions, and included a reasonable kilowatt hour increase. That amount has been multiplied by the different rate per kilowatt hour (17¢, 19¢ or 27¢), adjusted by the instructional unit allotment (or area differential -- running from 0 to 33.75% -- that the regions receive for geographical isolations throughout the State), plus an additional isolation factor of 5% for those locations not connected by ferry, railroad or highway to Anchorage, Fairbanks or Ketchikan. The difference in the amount of subsidy has been computed at the different rate. From that information, we can determine that the amount the State would have to subsidize for the REAA districts for the community service based on different rates would vary between \$596,824 (at a 17¢ per kilowatt rate) to \$299,613 (at a 27¢ per kilowatt rate).

The formula as proposed would:

- a) provide the REAAs with an incentive to conserve,
- b) treat the REAAs in a manner equitable with other consumers of AVEC power, and,
- c) keep AVEC from assuming they have carte blanche on supplying power to schools and villages.

If the REAA does not wish to enter into an agreement with AVEC after the termination of the current State contract, consideration should be given to budgeting for the disconnect charge. Also, new school construction should include adequate generating capacity which could be operated by the school system or leased to AVEC in return for reasonable power rates.

Any questions or comments concerning the proposed formula should be sent to my attention.

July 19, 1976

Mr. Loyd M. Hodson
General Manager
Alaska Village Electric
Cooperative, Inc.
999 Tudor Road
Anchorage, Alaska 99503

Dear Mr. Hodson:

This letter is to reiterate points of our discussion in Anchorage on Thursday, July 15th.

As I indicated in our discussion, there are several misunderstandings reflected in the June 28th letter. For clarification, I wish to enumerate the basic points:

1. The State will continue for Fiscal Year '77 the existing AVEC contract with the State as prime contractor while assigning its rights, under that contract, to the REAA's. Billing may continue through the State of Alaska for electric service, with the State billing out charges to the REAA under the current contract. Any supplemental appropriations deemed necessary by the REAA's would then be applied for through the Department of Education under the guidelines of the Legislature's amendment to the budget and department requirements. Those requests would be submitted to the Legislature following the usual procedures and executive approval.
2. While all State officials who have worked with AVEC in the past as well as the present will understand the pressures under which you are forced to plan and order equipment, there are some severe limitations on the activity by the State. For example, under no circumstances can the State administration unilaterally provide assurances that the REAA's will enter into long-term power purchase contracts with AVEC. The legislation creating the REAA's prevents State involvement in contract negotiations of any

July 19, 1976

kind with the REA's. Beyond that, to attempt any sort of coercion or pressure would violate the very heart of the "local control" concept which the REA legislation embodies.

3. In regard to legislation, there are several points that need to be clarified:
 - a. The questioned problem to be addressed by an inter-departmental working committee of the Administration is not simply "high utility cost", but rather a combination of how to pay for the electricity after having undertaken the commitment to supply the created demand for electricity, and the broader question of what the State policy toward the subsidizing of power in schools and/or villages should be. A review of these basic questions, as well as related fiscal issues, will hopefully be completed in early fall. However, there was no commitment to complete drafting of legislation by fall, and certainly the provisions in Senate Bill 610 and Senate Bill 673 are not likely to be the heart of the resolution arrived at since they were less than acceptable to many during the past Legislature.
 - b. In this whole process, of course, the APUC and the Legislature cannot be overlooked and, therefore, the mere act of the Administration drawing up a piece of legislation cannot serve in any way as a State commitment for reassurance to REA. However, clearly the State Administration is eager to exercise all of the power it has to resolve the problems, establish sound policy and provide necessary legislation to prevent future crises.
 - c. In order to have the evidence you require - which apparently must be in the form of long-term power purchase contracts - to support the loan feasibility for continued investment in the communities, it will be necessary for AVEC to deal directly with the REA's.

Mr. Loyd H. Hodson

-3-

July 19, 1976

4. In regard to the rate revision, I am pleased that AVEC will be filing for a change in their tariff and realize there are several issues in question as related to such a plan that are appropriately addressed to the APUC.

Thank you again for taking the time to meet with me in Anchorage. I shall keep you posted, as I agreed to, regarding the progress of the inter-departmental working committee and emerging policy recommendations. I most certainly hope that the resolution to the rural electrification issue can be developed within the next year so that the future does not find either the contractual or service delivery crises that we have experienced recently.

Please do not hesitate to contact me if you have further questions regarding these related issues.

Sincerely,


Sue S. Greene
Special Assistant
to the Governor

SG:rm

cc: James Edenso, Deputy Director,
Department of Commerce and Economic Development
Ron Lorensen, Department of Law
Dr. Marshall L. Lind, Commissioner of Education
Lee McAnerney, Commissioner of Community and
Regional Affairs
Donald Harris, Commissioner of Public Works
Lowell Jensen, Executive Director, Alaska Public
Utilities Commission
Charles W. Fitch, Director, Western Area Electric, R.E.A.
Malcolm Check, Alaska Field Operations Representative, R.E.A.
Lester Wilde, President, AVEC Board of Directors
John Shaw, Esq., AVEC attorney

bcc: Randall Weddle, Esq., Faulkner, Banfield, Doogan & Holmes
Randy: These are the pieces of correspondence I referred to in our conversation week before last. If you have any further questions regarding the situation, please call me or Ron Lorensen.

Suo



Alaska Village Electric Co-operative, inc.

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

CERTIFIED MAIL RETURN RECEIPT REQUESTED

June 28, 1976

Ms. Sue S. Greene
Special Assistant to Governor Hammond
Pouch A - State Capitol
Juneau, Alaska 99811

Dear Ms. Greene:

This letter will serve to document certain understandings at recent meetings between State and BIA Officials and Loyd M. Hodson, General Manager, Alaska Village Electric Cooperative, Inc., (AVEC), and John Shaw, A.V.E.C. Attorney on June 21st and June 22nd, 1976, in Juneau, Alaska. The purpose of these meetings was to discuss the severe problems that AVEC would immediately face if there is not a resolution of difficulties associated with the transfer of Power Purchase Contracts from the State to R.E.A.A. areas and the resulting impact on the ability to finance immediate and future construction of facilities using Rural Electrification Administration (R.E.A.) loan money. The problems were well outlined in a letter of May 18, 1976 to Lester Wilde, President of the AVEC Board from the Rural Electrification Administration previously submitted. After a considerable discussion and review on AVEC requirements, we were advised for the coming fiscal year, starting July 1, 1976, AVEC would continue to bill the State of Alaska for electric service under the Contract, as it currently exists. The State of Alaska, in turn, then would make suitable arrangements with the R.E.A.A.'s in regard to fiscal transfers or supplemental appropriations or Grants as may be appropriate. This will allow A.V.E.C. to remain feasible during this time and AVEC accordingly will continue with the 1976 construction program, unless otherwise advised by R.E.A., including such important projects as initial service to the village of Ambler and rebuilding the St. Michaels and Noorvik power plants previously destroyed by fire, among scores of other required construction projects underway in a number of villages.

The A.V.E.C. billings starting July, 1976, following the Unorganized Borough School District phaseout, will accordingly be forwarded to the Department of Education.



Alaska Village Electric Co-operative, inc.

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

Ms. Sue S. Greene
June 28, 1976
Page Two

A.V.E.C. must apply shortly for a substantial new loan from the Rural Electrification Administration in order to meet construction requirements which have been committed to for the balance of 1976 and throughout 1977 and 1978. The latest time to order diesel electric sets to meet 1977 shipping schedule requirements is no later than September 20, 1976. A.V.E.C. cannot commit for any additional new major equipment items until such time as we are sure that the necessary support is available for obtaining a new R.E.A. loan. This would include some assurances that the R.E.A.'s will enter into long term power purchase contracts with A.V.E.C. In order to achieve this objective, considering current timing of the Legislature, the need for adequate procurement lead time, and loan processing time, the following steps were indicated:

I. Legislation For REAA Funding For Utilities

A Proposed Legislative Bill, to be supported by the Administration, will be drawn up as soon as possible which will address the problem of high utility costs in the remote areas and smaller villages of Alaska and provide provisions for adequate funding to meet these requirements and yet have certain restraints in regard to total costs based upon historical data, or other suitable criteria. This Legislation development would review the concepts as previously presented in Senate Bill 610 and Senate Bill 678 and yet overcome these problems. The basic problem with 610 being overall cost and perhaps some complexity in administration, whereas the problem with 678 would be to include a suitable and fair upper limit for service costs as examples of the elements which need to be addressed. There needs to be continuing recognition by the State in funding small school districts that cost of utility services is far higher than provided for with general adjustment factors currently formulated for remote areas. While they may adequately compensate for increased direct salary costs, or certain other budget items in these areas, they certainly do not account for the terrific increased costs of utility services in small communities. Costs of utility service, (particularly electric service, may run at least six (6) times Anchorage area costs in small Alaska communities. See Attachment "A" for some of the reasons electric rates are high in small isolated Alaska communities.

the problem is not high utility costs. It is low pay for electricity. Financing distribution is a commitment to supply electrical demand.

How will the proposed bill address high utility costs?

Alaska Village Electric Co-operative, inc

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Ms: Sue S. Greene
June 28, 1976
Page Three

How are (in) the legislation proposed and the ordering of AVEC equipment tied together?

Is the proposed legislation will be stabilizing new state structures for communication implied in part of what about AVEC legislation later?

Time is important in drawing up suitable proposed legislation and obtaining complete administration support, of all involved departments. This is due to the need to order 1977 long lead time AVEC equipment within the next three (3) months. This proposed legislation could then be submitted to the R.E.A.A.'s, providing them some assurance they will have more equitable treatment in regard to the substantial increased percentage of their budgets required for utility services as compared to large metropolitan areas. Important things that should be taken into account in this are not only the Regional adjustment, but also adjusted for Community size. The cost of electric service will begin to move up rapidly in certain areas more related to shipping distance from certain trans-shipping points, such as Bethel, Nome and Kotzebue, with the smaller the Community, the higher the cost per consumer (or student). Other wide variables result from differences in square footage of school facilities per student, sophistication of design (with generally the newer facilities using more power due to size and increased functional loads), and size of teachers quarters.

II. REAA Power Purchase Contracts

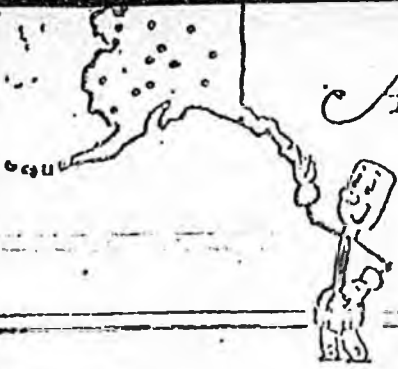
In order to have the necessary evidence to present to the Rural Electrification Administration, AVEC will require some agreement from the R.E.A.A.'s in areas served to enter into long term power purchase contracts in order to support loan feasibility for continued investment in the Communities. A.V.E.C. in the same time frame will review the concept of the uniform minimum for all types of schools with the thought of developing a schedule which will more nearly reflect such factors as the Cooperative investment in the Communities, prior energy consumption history of the school facility, or similar facilities, peak demand loading the school has placed on the A.V.E.C. system, and projected additional capital expenditures in the community over the forth-coming ten (10) year forecast period. While the overall total guarantee dollars will not be lower, but would be more national in distribution, with some of the smaller schools having a lower minimum whereas the larger new high schools would have a higher minimum. This was not a particular problem when the entire Contracts were under State and B.T.A. since effectively things averaged out across the system. With the individual R.E.A.A.'s, some areas have more modern high schools than others, and some having small schools, it will be necessary to come up with something that more nearly reflects the true situation as far as investment security and school use in the particular community. Will the State Administration be in the awkward position of "forcing" unacceptable condition on the REAA, both large & small?

NO

for AVEC

NO

Alaska Village Electric Co-operative, inc.



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

Ms. Sue S. Greene
June 28, 1976
Page Four

A.V.E.C. proposes to have the aforementioned set of proposed revised minimums and facility charges for each one of the schools involved in the establishment of the Rural Education Attendance areas schools available by September 1, 1976, with proposed revised Contracts. These proposed revised Contracts will be submitted to the R.E.A.A.'s for obtaining approval. They could make their approval for the longer term subject to passage of the proposed legislation to support the funding. We are hopeful that the Administration can draw up a Bill, in the next two months, which will provide adequate funding so that the R.E.A.A.'s will make the commitment to enter into these long term power purchase Contracts with A.V.E.C. required for the R.E.A. loan.

III. Rate Revision

In addition, A.V.E.C. will be filing for a basic change in their tariffs with the Alaska Public Utilities Commission (A.P.U.C.), which will eliminate the energy blocks which are now below the cost of power production. A combination of adjusting the minimums to somewhat lower levels for smaller schools, and higher for larger schools, plus filing a revised Tariff, will have the effect of bringing future average energy charges much closer together for the various consumer classes. "When we take into account the peak demands the schools generally impose on the system, which of course is an element in generation investment, I think we will have a much more acceptable rate structure from the standpoint of the schools. If so, How will the larger communities react?"

This will address the concerns of the R.E.A.A.'s in this regard. We would still probably end up with a small differential, however, it will be much narrower than at present. The aforementioned demand element in costs, plus factors mentioned in regard to investment in overall development of the outlying areas at this very early stage in the history of economic progress in these areas can very well justify small differentials.

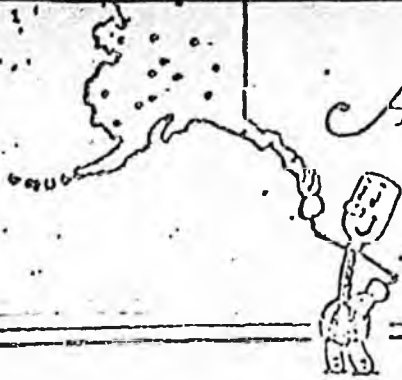
The rate adjustment steps that A.V.E.C. needs to take in order to more nearly equate electric rates in order to obtain the school Contracts to continue the feasibility of the program, will not work in the direction

What is
regarding
making
for how
long will it
be needed?

about
time
is the
proposed
tariff
benefit
small
communities

How well do non-AVEC
communities fare cost/revenue wise?

If so, How will the larger communities react?



Alaska Village Electric Co-operative, inc.

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Ms. Sue S. Greene
June 28, 1976
Page Five

of stimulating economic development but it is certainly something that should not be overlooked in overall State planning.

IV. R.E.A. Loan

A.V.E.C. will then attempt to get R.E.A. to process the loan based upon the Contracts, subject as required to passage of the legislation in the 1977 session of the Legislature. With strong support of the Administration, the R.E.A.A.'s, A.V.E.C. and other interested utilities, this can be achieved. We hope that R.E.A. will proceed with the loan and indicate approval on a conditional basis subject to removal of any long term purchase restrictions in the school Contracts following Legislative action. Of course, this concept would be based upon all of the R.E.A.A.'s that currently receive A.V.E.C. power entering into long term purchase Contracts. If any of them would not, then of course, we loose feasibility for that particular group of villages and of course, this would move us back into the question of facility charges and other non-progressive directions.

We would like to thank you for your beautiful coordination job in assembling such a wide representation of the various State and other interested agencies available for the meeting so that they could hear of some of the problems that A.V.E.C. faces in attempting to keep this pioneering program going. While it is an independent, member owned, non profit Cooperative, it is still dependent upon a number of Federal programs and indirect State support for continuation. Removal of any one of the key elements; R.E.A. Loan funds, or power purchased by major consumers, immediately eliminates feasibility. Electric rates, without these schools, would be prohibitively expensive for the remaining consumers.

By copy of this letter, we similarly wish to thank Commissioner Lind and his staff for their generous consideration of our problems, attempting

PEA, like any business, is merely following what appears to be sound underlying principles.

Alaska Village Electric Co-operative, inc

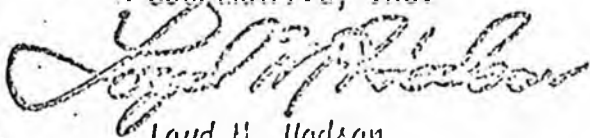
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Ms. Sue S. Greene
June 28, 1976
Page Six

to work for a solution, and for providing the opportunity to talk to the great majority of the R.E.A.A. Superintendents and Board Presidents and Members that would be involved in some of the important decisions related to electric service in their area.

Very truly yours,

ALASKA VILLAGE ELECTRIC
COOPERATIVE, INC.



Loyd H. Hodson
General Manager

LHM/jay

Enclosure: Attachment "A"

- cc: Dr. Marshall L. Lind, Commissioner of Education
- cc: Lee McInerney, Commissioner, Community & Regional Affairs
- cc: Donald Harris, Commissioner, Public Works
- cc: Lowell Jensen, Executive Director, Alaska Public Utilities Commission
- cc: Charles W. Fitch, Director, Western Area Electric, R.E.A.
- cc: Malcolm Cheek, Alaska Field Operations Representative, R.E.A.
- cc: Lester Wilde, President, A.V.E.C. Board of Directors
- cc: John Shaw, Esq., A.V.E.C. Attorney

All cc's sent with Attachment "A"
All cc's sent Certified Mail - Return Receipt Requested

ATTACHMENT "A"

RATES

Why are electric rates high in small Alaska communities? The principal reasons are:

1. High cost of diesel fuel delivered to remote locations. 1976 estimates 64 to 65 cents per gallon delivered.
2. Thermal efficiencies averaging only one-half as high as larger scale facilities carrying a high average year around load. This means facilities on a yearly average use twice as much of the high cost fuel for generating a given amount of power.
3. High cost of installed tankage and inventory of fuel for a full year. This includes tank painting and plumbing maintenance, depreciation, environmental protection, and interest on average inventory balance. AVEC has over 475 tanks at present.
4. More catastrophic failures of equipment or shortened time between major overhauls due to improper maintenance or servicing by village operators, such as instances of failing to change lubrication oil or filters at recommended intervals, low oil or water levels, overloading, etc.
5. High cost repairs involving air transport of men, parts, tools and materials over substantial distances, to many locations.
6. A higher percentage of collection costs.
7. Loss in efficiency due to extreme weather, limited transportation, and inadequate communications systems.
8. Absence of local supporting facilities typical in larger communities. This reduces both construction and maintenance efficiency.
9. Everything multiplied by 45 to perform small scale operations, such as 45 operators, 45 sets of service manuals, 45 sets of tools, 45 first aid kits, 45 battery chargers, etc.
10. This carries over to 45 overhauls at 45 locations every few thousand hours of operation, whereas a large system has overhauls on a unit which has the capacity in a single unit larger than the entire A.V.E.C. rated capacity in 45 generation locations.
11. Depreciation rates are higher on the smaller relatively lighter duty generation equipment. Distribution systems similarly suffer higher early degradation due to the severe environment.
12. High costs of insurance due to the multitude of risks, absence of fire departments, hazardous shipping conditions, high workmen's compensation exposure, etc.
13. Severe competition and resultant high labor costs, for well trained diesel electric mechanics willing to fly thousands of miles a year in small planes under many marginal weather situations and not have average standards of room and board available on frequent occasions.

PLS UNIT BY UNIT
COST WHICH INCLUDES FUEL

CREDIT I

Region	Site	# Units	Col. 1 Area Diff. Per Unit	Col. 2 \$10,000 Per Unit	Col. 3 Kilowatt Hours Used	Col. 4 Actual Cost Per kWh	Col. 5 17c Price x Area Diff.	Col. 6 14c Price x Area Diff.	Col. 7 27c Price x Area Diff.	Col. 8 Difference Col. 1-3 = Subsidy	Col. 9 Difference Col. 1-4 = Subsidy	Col. 10 Difference Col. 1-5 = Subsidy
1	<u>Northwest Arctic</u>		133.75 + 5%									
	Kivalina H.S.	2		\$ 21,960	\$ 100,000	\$.51	\$ 34,400	\$ 41,000	\$ 60,800	\$ 43,560	\$ 40,360	\$ 21,160
	Shingoni H.S.	2		21,960	100,000	.51	34,400	41,000	60,800	43,560	40,360	21,160
	Kiana H.S.			40,970	96,400	.42	23,150	28,662	36,662	17,525	15,685	4,313
	Koyuk	2		40,970	57,720	.72	13,667	15,000	21,956	27,113	25,957	19,222
	Koonak	2		21,560	270,125	.29	67,202	72,885	104,006	14,258	9,375	(24,126) negative figure as
	Total			\$ 327,840	\$ 753,415	\$.44	\$ 182,827	\$ 195,533	\$ 284,304	\$ 147,016	\$ 131,947	\$ 65,652
2	<u>Bering Straits</u>		125.25 + 5%									
	Gambell H.S.	2		\$ -0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	Shishmaref H.S.	2		21,960	100,000	.51	35,200	40,000	57,600	46,760	41,560	24,350
	Saunders H.S.			-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	Knyak			40,970	67,000	.61	14,749	16,561	24,135	26,231	24,219	16,345
	Males			20,510	47,600	.86	10,422	11,225	17,169	20,430	23,657	23,511
	Total			\$ 163,920	\$ 274,725	\$.60	\$ 60,441	\$ 66,654	\$ 98,924	\$ 103,479	\$ 95,236	\$ 65,616
3	<u>Lower Yukon</u>		130.0 + 5%									
	Alaterek H.S.			\$ 40,970	100,000	.41	23,000	26,000	37,000	17,950	14,950	3,950
	Erusevak H.S.			40,970	100,000	.41	23,000	26,000	37,000	17,950	14,950	3,950
	Fortuit			40,970	70,900	.52	19,161	20,530	29,215	22,819	20,450	11,765
	Mc. Village H.S.			40,970	100,000	.41	23,000	26,000	37,000	17,950	14,950	3,950
	Pitte's Point			40,970	43,000	.95	5,210	11,225	15,943	31,670	29,777	25,637
	Total			\$ 204,920	\$ 422,000	\$.49	\$ 97,071	\$ 109,733	\$ 156,153	\$ 107,929	\$ 95,167	\$ 48,742
4	<u>Lower Kuskokwim</u>		130.0 + 5%									
	Toksook Bay H.S.			\$ 40,970	100,000	.41	23,000	26,000	37,000	17,950	14,950	3,950
	Total			\$ 40,970	\$ 100,000	\$.41	\$ 23,000	\$ 26,000	\$ 37,000	\$ 17,950	\$ 14,950	\$ 3,950
6	<u>Southwest</u>		125.25 + 5%									
	Toplak H.S.	2		\$ 51,960	150,000	.55	33,000	37,500	54,000	48,960	44,460	27,560
	New Stuyahok			40,970	130,332	.31	25,472	32,563	46,920	12,307	8,397	(5,520) negative figure as
	Total			\$ 122,960	\$ 280,332	\$.44	\$ 61,673	\$ 70,063	\$ 100,920	\$ 61,267	\$ 52,857	-\$ 27,950
11	<u>Iditarod</u>		133.75 + 5%									
	Anvik			\$ 40,970	\$ 68,225	.51	16,374	17,722	25,925	24,506	23,242	15,355
	Holy Cross			40,970	58,665	.70	14,128	15,275	22,740	26,352	25,675	18,511
	Total			\$ 81,960	\$ 127,091	\$.64	\$ 30,502	\$ 33,043	\$ 48,294	\$ 51,458	\$ 48,917	\$ 33,666
12	<u>Yukon-Kuskokwim</u>		133.75 + 5%									
	Katlay			\$ 40,970	83,359	.49	20,913	21,000	31,682	20,767	19,799	9,222
	Kuslika			40,970	112,613	.36	27,028	25,221	42,795	13,552	11,699	(1,615) negative figure as
	Ninto	2		40,970	85,220	.46	20,467	22,173	32,406	20,513	18,707	8,574
	Nulato	2		40,970	143,135	.57	31,537	37,251	52,325	47,693	44,735	27,551
	Total			\$ 163,920	\$ 424,427	\$.48	\$ 101,565	\$ 116,350	\$ 161,228	\$ 103,035	\$ 94,544	\$ 45,427
14	<u>Chukotka</u>		133.75 + 5%									
	Arctic			\$ 40,970	85,000	.41	13,420	25,100	27,640	22,740	20,820	12,140
	Total			\$ 40,970	\$ 85,000	\$.41	\$ 13,420	\$ 25,100	\$ 27,640	\$ 22,740	\$ 20,820	\$ 12,140
	Grand Total			\$1,111,170	\$2,678,035	\$.49	\$ 573,819	\$ 633,902	\$ 916,708	\$ 614,294	\$ 554,463	\$293,553

MEMORANDUM

State of Alaska

TO: Mr. Bill Thompson
Department of Education

DATE:

FILE NO:

TELEPHONE NO:

FROM: J. W. Sargent
Sanitary Engineer

SUBJECT: School VSW Fees

Here is a quickly gathered summary of the financial relationship among schools, this Department and the villages where we have VSW facilities serving schools. Some of the figures are only rough estimates, and we have no operating experience yet at Koyukuk, Kongiganak and Beaver.

(1) <u>Location</u>	(2) <u>Annual O&M Budget</u>	(3) <u>Tech. & Admin. Assist from ADEC</u>	(4) <u>School Fee (Ann.)</u>	(5) <u>ADEC Subsidy</u>
Selawik	\$115,000	\$15,000	\$20,500	\$86,500
Alakanuk	\$100,500	\$15,000	\$72,000	\$ 8,500
Nulato	\$113,000	\$15,000	\$72,000	\$35,000
Pitkas Point	\$54,000	\$ 8,000	\$10,000	\$29,000
Kongiganak	\$65,000	\$ 8,000	\$18,000	\$35,000
Beaver	\$55,000	\$ 5,000	\$20,000 (In kind- BIA will operate the water supply and waste dis- posal systems)	\$25,000

Column (3) is in addition to column (2). ADEC is currently providing columns (3) and (5).

TO: Memorandum to File

DATE : November 17, 1976

FROM: *HTD*
William D. Thomson, Director
Mgm., Law & Finance
Department of Education

SUBJECT: 76 ASOSS Appropriation

The Department of Education has a negative balance of \$15,866.22 in the FY 76 ASOSS Appropriation. This negative balance is due to the SOS employee termination pay, penalty pay and retro-salary increases for FY 75. Although the Department did use all unencumbered balances in the SOS appropriation to erase that deficit, funds appropriated were insufficient in the amount of \$15,866.22.

cc: Bill Gillespie - Finance
Gary Peska - Leg. Budget & Audit
Ron Lind - Of. of Budget & Mgm.

SB 15⁰

DISTRICT		PRELIMINARY FOUND. UNITS	REVISED 1ST QTR.	MAX. POSSIBLE UNDER CURR. PLANS
1.	Adak	2	2	2
2.	Alaska Gateway	4	4	4
3.	Aleutian Chain	3	2	3
4.	Anchorage Borough:			
	Contracts	32	24	24-32?
	On-base	35	22	22
	District	198	143	189
5.	Annette	1	4	4
6.	Bering Straits	2	3	3
7.	Bristol Bay	4	4	4
8.	Chatham	2	2	2
9.	Chugach	0	1	1
10.	Copper River	6	6	7
11.	Cordova	9	9	9
12.	Craig	2	2	2
13.	Delta/Greeley	6	6	6
14.	Dillingham	6	6	6
15.	Fairbanks Borough:			
	On-base	22	11	16
	District	60	67	71
16.	Galena	2	2	2
17.	Haines	5	5	5
18.	Hoonah	4	6	6
19.	Hydaburg	2	2	2
20.	Iditarod	1	2	2
21.	Juneau	34	38	38
22.	Kake	3	3	3
23.	Kenai	21	26	36
24.	Ketchikan	27	21	23
25.	King Cove	2	2	2
26.	Klawock	1	2	2
27.	Kodiak	19	19	19
28.	Kuspuk	2	2	2
29.	Lake & Peninsula	3	4	4 (6*)
30.	Lower Kuskokwim	6	9	9
30.	Lower Yukon	5	7	7
32.	Mat.-Sus.	17	18	18
33.	Nenana	3	3	3
34.	Nome	11	11	11
35.	North Slope	16	19	19
36.	Northwest	10	3	10
37.	Pelican	0	0	0
38.	Petersburg	5	5	7
39.	Pribilof	2	3	3
40.	Selawik	3	3	3
41.	Sitka	15	14	13
42.	Skagway	2	2	3
43.	Southeast Island	4	4	4
44.	Southwest	7	6	6
45.	St. Mary's	2	5	5
46.	Unalaska	2	2	2
47.	Upper Railbelt	2	2	2
48.	Valdez	11	11	11
49.	Wrangell	7	7	7
50.	Yakutat	2	2	2
51.	Yukon Flats	4	2	5
52.	Yukon/Koyukuk	4	5	5
		660	595	676-684
			(-65)	(+16-

* Pending Approval

603

638-646

COMMITTEE REPORT
SENATE

3/1/77

April 8, 1977 Date

Mr. President:

The Committee on FINANCE has had SB 150
~~supplemental appropriation to Dept. of Education~~
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:

_____ *Tillier* _____
 _____ *Herman* _____
 _____ *H* _____
 _____ *Mr. Antoski* _____
 _____ *St. Michael* _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

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

_____ Chairman

MEMORANDUM

State of Alaska

TO: Research

DEPT. _____
DIV. _____
SEC. _____

FROM: *Pat Williams*
Pat Williams
Legislative Finance Div.
Rm. 411 Capitol
465-3795 or 3796

DATE : 4/8/77

SUBJECT: SB 150

Please prepare a Senate Finance Committee substitute for SB 150 and return it to Kathy Holmquist or Becky Fritz, committee secretaries in Room 411 Capitol Building.

Introduced: 2/11/77
Referred: Health, Education,
Social Services and Finance

FINANCE COMMITTEE

BY THE ~~GOVERNOR~~
~~REQUEST OF THE GOVERNOR~~

1 THE SENATE

2 SENATE BILL NO. 150

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 Education; and providing for an effec-
8 tive date."

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

10 * Section 1. The sum of ~~\$13,768,325~~ ^{8,709,192} is appropriated from the general
11 fund to the Department of Education for Fiscal Year 1977, allocated as
12 follows:

13	Foundation Program - Regular	\$2,000,000	1,956,733
14	Foundation Program - REAA's	7,638,000	2,638,000
15	Pupil Transportation - Regular	2,163,100	
16	Local Formula - REAA's	1,217,470	
17	AVEC and other	615,000	
18	Safe Water	103,000	
19	ASOSS FY 76 Negative Balance	15,866	
20	Audit Exception - Vocational		
21	Education	15,889	

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

file copy

Exhibit # 5

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF EDUCATION

DIVISION OF MANAGEMENT AND FINANCE

POUCH F - STATE OFFICE BUILDING
JUNEAU 99811

August 20, 1976

MEMORANDUM

TO: Sue Greene, Special Assistant
Office of the Governor
Jim Edenso, Deputy Commissioner
Dept. of Commerce & Economic Development
Mike Harper, Deputy Commissioner
Dept. of Community & Regional Affairs
Richard Holden, Deputy Commissioner
Dept. of Public Works
Ronald Lorensen, Assistant Attorney General
Dept. of Law
Dan Dawson, Budget Analyst, Budget & Management
Office of the Governor
Nathaniel Cole, Deputy Commissioner
Dept. of Education

FROM: William D. Thomson, ^{Director} Director
Management, Law and Finance
Dept. of Education

SUBJ: Proposed formula for treating REAA's schools the same as other consumers -- Alaska Village Electric Cooperative (AVEC) power.

Per our meeting of August 2, 1976, and a subsequent meeting Friday, August 13, the following is a proposed solution by which the REAA school districts using AVEC power would be charged equitably as compared with rates charged to AVEC customers.

For your information, the current contract for AVEC power at the village schools is between AVEC and the State of Alaska. Such contract does not expire until FY 79. The State will continue for FY 77 the existing AVEC contract with the State as prime contractor while assigning its rights under that contract to the REAAs. (See letter from Sue Greene to Loyd M. Hodson, July 19, 1976, attached.)

The contract also provides that the State must pay a one time disconnect charge of \$90,000 per site whether such disconnect is during or at the end of the contract period (contract is renewable at the option of AVEC).

At the current time, the schools are charged a unit established by APUC as a reasonable charge for AVEC for the school. The current value of that unit is a flat rate of \$2,335 per month regardless of the amount of power used,

August 20, 1976

plus a cost of fuel escalation clause. The unit value for FY 77 is estimated at \$40,980. In certain locations, because of higher power requirements, those with new separate secondary schools are charged two units under the AVEC contract. School officials have objected to the flat rate charge for they feel it does not provide them with an incentive to conserve. They also feel they are treated inequitably or pay a higher rate than other consumers. (See Column 4, Exhibit I, which shows the actual cost per KWH). In effect, they are paying a subsidy to AVEC for the benefit of other consumers; this is a community service rather than an educational expense.

To remove the expense of this community service from the educational dollar, attached find a proposed formula, Exhibit I, which would insure an equitable charge for power to the schools, with the difference between the school cost and the State contract with AVEC being treated as a subsidy for community service. The basic assumptions for the formula are as follows:

Charge the schools at the same rate as other consumers. Based on Exhibit II, attached, provided by AVEC for calendar year '75, the cost to other consumers is 17¢ per kilowatt, however, the AVEC is filing a proposed rate change for other consumers with the APUC. Therefore, as a matter of comparison, we have treated reasonable cost to the school, as compared to other consumers, at 17¢, 19¢, and 27¢ per kilowatt hour. In addition, we have used the total kilowatt hours used by the state schools, as provided by AVEC for calendar '75, adjusted some of those to reflect full year costs for new high schools or new additions, and included a reasonable kilowatt hour increase. That amount has been multiplied by the different rate per kilowatt hour (17¢, 19¢ or 27¢), adjusted by the instructional unit allotment (or area differential -- running from 0 to 33.75% -- that the regions receive for geographical isolations throughout the State), plus an additional isolation factor of 5% for those locations not connected by ferry, railroad or highway to Anchorage, Fairbanks or Ketchikan. The difference in the amount of subsidy has been computed at the different rate. From that information, we can determine that the amount the State would have to subsidize for the REAA districts for the community service based on different rates would vary between \$596,824 (at a 17¢ per kilowatt rate) to \$299,613 (at a 27¢ per kilowatt rate).

The formula as proposed would:

- a) provide the REAAs with an incentive to conserve,
- b) treat the REAAs in a manner equitable with other consumers of AVEC power, and,
- c) keep AVEC from assuming they have carte blanche on supplying power to schools and villages.

If the REAA does not wish to enter into an agreement with AVEC after the termination of the current State contract, consideration should be given to budgeting for the disconnect charge. Also, new school construction should include adequate generating capacity which could be operated by the school system or leased to AVEC in return for reasonable power rates.

Any questions or comments concerning the proposed formula should be sent to my attention.

July 19, 1976

Mr. Loyd M. Hodson
General Manager
Alaska Village Electric
Cooperative, Inc.
999 Tudor Road
Anchorage, Alaska 99503

Dear Mr. Hodson:

This letter is to reiterate points of our discussion in Anchorage on Thursday, July 15th.

As I indicated in our discussion, there are several misunderstandings reflected in the June 28th letter. For clarification, I wish to enumerate the basic points:

1. The State will continue for Fiscal Year '77 the existing AVEC contract with the State as prime contractor while assigning its rights, under that contract, to the REAA's. Billing may continue through the State of Alaska for electric service, with the State billing out charges to the REAA under the current contract. Any supplemental appropriations deemed necessary by the REAA's would then be applied for through the Department of Education under the guidelines of the Legislature's amendment to the budget and department requirements. Those requests would be submitted to the Legislature following the usual procedures and executive approval.
2. While all State officials who have worked with AVEC in the past as well as the present well understand the pressures under which you are forced to plan and order equipment, there are some severe limitations on the activity by the State. For example; under no circumstances can the State administration unilaterally provide assurances that the REAA's will enter into long-term power purchase contracts with AVEC. The legislation creating the REAA's prevents State involvement in contract negotiations of any

July 19, 1976

kind with the REAA's. Beyond that, to attempt any sort of coercion or pressure would violate the very heart of the "local control" concept which the REAA legislation embodies.

3. In regard to legislation, there are several points that need to be clarified:
 - a. The questioned problem to be addressed by an inter-departmental working committee of the Administration is not simply "high utility cost", but rather a combination of how to pay for the electricity after having undertaken the commitment to supply the created demand for electricity, and the broader question of what the State policy toward the subsidizing of power in schools and/or villages should be. A review of these basic questions, as well as related fiscal issues, will hopefully be completed in early fall. However, there was no commitment to complete drafting of legislation by fall, and certainly the provisions in Senate Bill 610 and Senate Bill 678 are not likely to be the heart of the resolution arrived at since they were less than acceptable to many during the past Legislature.
 - b. In this whole process, of course, the APUC and the Legislature cannot be overlooked and, therefore, the mere act of the Administration drawing up a piece of legislation cannot serve in any way as a State commitment for reassurance to REA. However, clearly the State Administration is eager to exercise all of the power it has to resolve the problems, establish sound policy and provide necessary legislation to prevent future crises.
 - c. In order to have the evidence you require - which apparently must be in the form of long-term power purchase contracts - to support the loan feasibility for continued investment in the communities, it will be necessary for AVEC to deal directly with the REAA's.

Mr. Loyd M. Hodson

-3-

July 19, 1976

4. In regard to the rate revision, I am pleased that AVEC will be filing for a change in their tariff and realize there are several issues in question as related to such a plan that are appropriately addressed to the APUC.

Thank you again for taking the time to meet with me in Anchorage. I shall keep you posted, as I agreed to, regarding the progress of the inter-departmental working committee and emerging policy recommendations. I most certainly hope that the resolution to the rural electrification issue can be developed within the next year so that the future does not find either the contractual or service delivery crises that we have experienced recently.

Please do not hesitate to contact me if you have further questions regarding these related issues.

Sincerely,

Sue S. Greene
Special Assistant
to the Governor

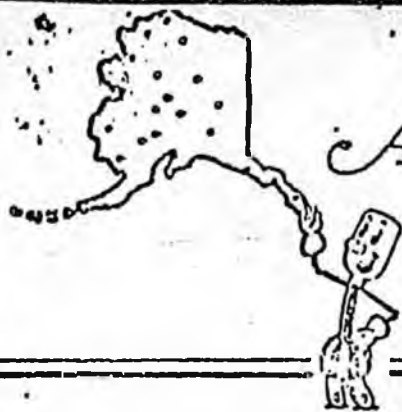
SG:rm

cc: James Edenso, Deputy Director,
Department of Commerce and Economic Development
Ron Lorensen, Department of Law
Dr. Marshall L. Lind, Commissioner of Education
Lee McAnerney, Commissioner of Community and
Regional Affairs
Donald Harris, Commissioner of Public Works
Lowell Jensen, Executive Director, Alaska Public
Utilities Commission
Charles W. Fitch, Director, Western Area Electric, R.E.A.
Malcolm Check, Alaska Field Operations Representative, R.E.A.
Lester Wilde, President, AVEC Board of Directors
John Shaw, Esq., AVEC attorney

bcc: Randall Weddle, Esq., Faulkner, Banfield, Doogan & Holmes

Randy: These are the pieces of correspondence I referred to in our conversation week before last. If you have any further questions regarding the situation, please call me or Ron Lorensen.

Sue



Alaska Village Electric Co-operative, inc.

999 TUDOR RD., ANCHORAGE, ALASKA 99503

TELEPHONE 279-3548

CERTIFIED MAIL RETURN RECEIPT REQUESTED

June 28, 1976

Ms. Sue S. Greene
Special Assistant to Governor Hammond
Pouch A - State Capitol
Juneau, Alaska 99811

Dear Ms. Greene:

This letter will serve to document certain understandings at recent meetings between State and BIA Officials and Loyd M. Hodson, General Manager, Alaska Village Electric Cooperative, Inc., (AVEC), and John Shaw, A.V.E.C. Attorney on June 21st and June 22nd, 1976, in Juneau, Alaska. The purpose of these meetings was to discuss the severe problems that AVEC would immediately face if there is not a resolution of difficulties associated with the transfer of Power Purchase Contracts from the State to R.E.A.A. areas and the resulting impact on the ability to finance immediate and future construction of facilities using Rural Electrification Administration (R.E.A.) loan money. The problems were well outlined in a letter of May 18, 1976 to Lester Wilde, President of the AVEC Board from the Rural Electrification Administration previously submitted. After a considerable discussion and review on AVEC requirements, we were advised for the coming fiscal year, starting July 1, 1976, AVEC would continue to bill the State of Alaska for electric service under the Contract, as it currently exists. The State of Alaska, in turn, then would make suitable arrangements with the R.E.A.A.'s in regard to fiscal transfers or supplemental appropriations or Grants as may be appropriate. This will allow A.V.E.C. to remain feasible during this time and AVEC accordingly will continue with the 1976 construction program, unless otherwise advised by R.E.A., including such important projects as initial service to the village of Ambler and rebuilding the St. Michaels and Noorvik power plants previously destroyed by fire, among scores of other required construction projects underway in a number of villages.

The A.V.E.C. billings starting July, 1976, following the Unorganized Borough School District phaseout, will accordingly be forwarded to the Department of Education.



Alaska Village Electric Co-operative, inc.

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

Ms. Sue S. Greene
June 28, 1976
Page Two

A.V.E.C. must apply shortly for a substantial new loan from the Rural Electrification Administration in order to meet construction requirements which have been committed to for the balance of 1976 and throughout 1977 and 1978. The latest time to order diesel electric sets to meet 1977 shipping schedule requirements is no later than September 20, 1976. A.V.E.C. cannot commit for any additional new major equipment items until such time as we are sure that the necessary support is available for obtaining a new R.E.A. loan. This would include some assurances that the R.E.A.'s will enter into long term power purchase Contracts with A.V.E.C. In order to achieve this objective, considering current timing of the Legislature, the need for adequate procurement lead time, and loan processing time, the following steps were indicated:

I. Legislation For REAA Funding For Utilities

A Proposed Legislative Bill, to be supported by the Administration, will be drawn up as soon as possible which will address the problem of high utility costs in the remote areas and smaller villages of Alaska and provide provisions for adequate funding to meet these requirements and yet have certain restraints in regard to total costs based upon historical data, or other suitable criteria. This legislation development would review the concepts as previously presented in Senate Bill 610 and Senate Bill 678 and yet overcome these problems. The basic problem with 610 being overall cost and perhaps some complexity in administration, whereas the problem with 678 would be to include a suitable and fair upper limit for service costs as examples of the elements which need to be addressed. There needs to be continuing recognition by the State in funding small school districts that cost of utility services is far higher than provided for with general adjustment factors currently formulated for remote areas. While they may adequately compensate for increased direct salary costs, or certain other budget items in these areas, they certainly do not account for the terrific increased costs of utility services in small communities. Costs of utility service, particularly electric service, may run at least six (6) times Anchorage area costs in small Alaska communities. See Attachment "A" for some of the reasons electric rates are high in small isolated Alaska communities.

The problem is not high utility costs it is how to pay for electricity for having identification commitment to supply & create demand for electricity

How will the proposed bill address high utility costs?

Alaska Village Electric Co-operative, inc.

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



Ms: Sue S. Greene
June 28, 1976
Page Three

*How are (in) the legislation proposed
and the ordering of AVEC equipment tied
together?*

*If the
proposed
legislation
will be
stabilizing
new state
structures for
communities
implied
in para. 1
what about
PUC
regulating
rates?*

Time is important in drawing up suitable proposed legislation and obtaining complete administration support, of all involved departments. This is due to the need to order 1977 long lead time AVEC equipment within the next three (3) months. This proposed legislation could then be submitted to the R.E.A.A.'s, providing them some assurance they will have more equitable treatment in regard to the substantial increased percentage of their budgets required for utility services as compared to large metropolitan areas. Important things that should be taken into account in this are not only the Regional adjustment, but also adjusted for Community size. The cost of electric service will begin to move up rapidly in certain areas more related to shipping distance from certain trans-shipping points, such as Bethel, Nome and Kotzebue, with the smaller the Community, the higher the cost per consumer (or student). Other wide variables result from differences in square footage of school facilities per student, sophistication of design (with generally the newer facilities using more power due to size and increased functional loads), and size of teachers quarters.

II. REAA Power Purchase Contracts

In order to have the necessary evidence to present to the Rural Electrification Administration, AVEC will require some agreement from the R.E.A.A.'s in areas served to enter into long term power purchase contracts in order to support loan feasibility for continued investment in the Communities. A.V.E.C. in the same time frame will review the concept of the uniform minimum for all types of schools with the thought of developing a schedule which will more nearly reflect such factors as the Cooperative investment in the Communities, prior energy consumption history of the school facility, or similar facilities, peak demand loading the school has placed on the A.V.E.C. system, and projected additional capital expenditures in the community over the forth-coming ten (10) year forecast period. While the overall total guarantee dollars will not be lower, but would be more rationale in distribution, with some of the smaller schools having a lower minimum whereas the larger new high schools would have a higher minimum. This was not a particular problem when the entire Contracts were under State and B.T.A. since effectively things averaged out across the system. With the individual R.E.A.A.'s, some areas have more modern high schools than others, and some having small schools, it will be necessary to come up with something that more nearly reflects the true situation as far as investment security and school use in the particular community. Will the State Administration be in the awkward position of "forcing" unacceptable conditions on the REAA, both large & small?

No

for AVEC

No

Alaska Village Electric Co-operative, inc.

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

Ms. Sue S. Greene
June 28, 1976
Page Four

A.V.E.C. proposes to have the aforementioned set of proposed revised minimums and facility charges for each one of the schools involved in the establishment of the Rural Education Attendance areas schools available by September 1, 1976, with proposed revised Contracts. These proposed revised Contracts will be submitted to the R.E.A.A.'s for obtaining approval. They could make their approval for the longer term subject to passage of the proposed legislation to support the funding. We are hopeful that the Administration can draw up a Bill, in the next two months, which will provide adequate funding so that the R.E.A.A.'s will make the commitment to enter into these long term power purchase Contracts with A.V.E.C. required for the R.E.A. loan.

III. Rate Revision

In addition, A.V.E.C. will be filing for a basic change in their tariff with the Alaska Public Utilities Commission (A.P.U.C.), which will eliminate the energy blocks which are now below the cost of power production. A combination of adjusting the minimums to somewhat lower levels for smaller schools, and higher for larger schools, plus filing a revised Tariff, will have the effect of bringing future average energy charges much closer together for the various consumer classes. "When we take into account the peak demands the schools generally impose on the system, which of course is an element in generation investment, I think we will have a much more acceptable rate structure from the standpoint of the schools. If so, How will the larger communities react?"

This will address the concerns of the R.E.A.A.'s in this regard. We would still probably end up with a small differential, however, it will be much narrower than at present. The aforementioned demand element in costs, plus factors mentioned in regard to investment in overall development of the outlying areas at this very early stage in the history of economic progress in these areas can very well justify small differentials.

The rate adjustment steps that A.V.E.C. needs to take in order to more nearly equate electric rates in order to obtain the school Contracts to continue the feasibility of the program, will not work in the direction

What is
legitimate
asking?
For how
long will it
be needed?

about
time!
in the
proposed
tariffs
weighted
to benefit
small
communities

How well do non-AVEC
communities fare cost/revenue wise?

→ How will the larger communities react?



Alaska Village Electric Co-operative, inc.

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

Ms. Sue S. Greene
June 28, 1976
Page Five

of stimulating economic development but it is certainly something that should not be overlooked in overall State planning.

IV. R.E.A. Loan

A.V.E.C. will then attempt to get R.E.A. to process the loan based upon the Contracts, subject as required to passage of the legislation in the 1977 session of the Legislature. With strong support of the Administration, the R.E.A.A.'s, A.V.E.C. and other interested utilities, this can be achieved. We hope that R.F.A. will proceed with the loan and indicate approval on a conditional basis subject to removal of any long term purchase restrictions in the school Contracts following Legislative action. Of course, this concept would be based upon all of the R.E.A.A.'s that currently receive A.V.E.C. power entering into long term purchase Contracts. If any of them would not, then of course; we loose feasibility for that particular group of villages and of course, this would move us back into the question of facility charges and other non-progressive directions.

We would like to thank you for your beautiful coordination job in assembling such a wide representation of the various State and other interested agencies available for the meeting so that they could hear of some of the problems that A.V.E.C. faces in attempting to keep this pioneering program going. While it is an independent, member owned, non profit Cooperative, it is still dependent upon a number of Federal programs and indirect State support for continuation. Removal of any one of the key elements; R.E.A. loan funds, or power purchased by major consumers, immediately eliminates feasibility. Electric rates, without these schools, would be prohibitively expensive for the remaining consumers.

By copy of this letter, we similarly wish to thank Commissioner Lind and his staff for their generous consideration of our problems, attempting

*R.E.A.,
like any
business
merely
following
out appearance
to be
would
underwriting
principles*



Alaska Village Electric Co-operative, inc.

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

Ms. Sue S. Greene
June 28, 1976
Page Six

to work for a solution, and for providing the opportunity to talk to the great majority of the R.E.A.A. Superintendents and Board Presidents and Members that would be involved in some of the important decisions related to electric service in their area.

Very truly yours,

ALASKA VILLAGE ELECTRIC
COOPERATIVE, INC.

Loyd H. Hodson
General Manager

LHH/jay

Enclosure: Attachment "A"

- cc: Dr. Marshall L. Lind, Commissioner of Education
- cc: Lee McInerney, Commissioner, Community & Regional Affairs
- cc: Donald Harris, Commissioner, Public Works
- cc: Lowell Jensen, Executive Director, Alaska Public Utilities Commission
- cc: Charles W. Fitch, Director, Western Area Electric, R.E.A.
- cc: Malcolm Cheek, Alaska Field Operations Representative, R.E.A.
- cc: Lester Wilde, President, A.V.E.C. Board of Directors
- cc: John Shaw, Esq., A.V.E.C. Attorney

All cc's sent with Attachment "A"

All cc's sent Certified Mail - Return Receipt Requested

ATTACHMENT "A"

RATES

Why are electric rates high in small Alaska communities? The principal reasons are:

1. High cost of diesel fuel delivered to remote locations. 1976 estimates 64 to 65 cents per gallon delivered.
2. Thermal efficiencies averaging only one-half as high as larger scale facilities carrying a high average year around load. This means facilities on a yearly average use twice as much of the high cost fuel for generating a given amount of power.
3. High cost of installed tankage and inventory of fuel for a full year. This includes tank painting and plumbing maintenance, depreciation, environmental protection, and interest on average inventory balance. AVEC has over 475 tanks at present.
4. More catastrophic failures of equipment or shortened time between major overhauls due to improper maintenance or servicing by village operators, such as instances of failing to change lubrication oil or filters at recommended intervals, low oil or water levels, overloading, etc.
5. High cost repairs involving air transport of men, parts, tools and materials over substantial distances, to many locations.
6. A higher percentage of collection costs.
7. Loss in efficiency due to extreme weather, limited transportation, and inadequate communications systems.
8. Absence of local supporting facilities typical in larger communities. This reduces both construction and maintenance efficiency.
9. Everything multiplied by 45 to perform small scale operations, such as 45 operators, 45 sets of service manuals, 45 sets of tools, 45 first aid kits, 45 battery chargers, etc.
10. This carries over to 45 overhauls at 45 locations every few thousand hours of operation, whereas a large system has overhauls on a unit which has the capacity in a single unit larger than the entire A.V.E.C. rated capacity in 45 generation locations.
11. Depreciation rates are higher on the smaller relatively lighter duty generation equipment. Distribution systems similarly suffer higher early degradation due to the severe environment.
12. High costs of insurance due to the multitude of risks, absence of fire departments, hazardous shipping conditions, high workmen's compensation exposure, etc.
13. Severe competition and resultant high labor costs, for well trained diesel electric mechanics willing to fly thousands of miles a year in small planes under many marginal weather situations and not have average standards of room and board available on frequent occasions.

FILE NO. 17
COST UNDER PROPOSED FORMULA

EXHIBIT 1

Region	Site	# Units	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
			Area Diff. Area	\$10,000 Per Unit	Kilowatt Hours Used	Actual Cost Per kWh	7% PWH x Area Diff.	1% PWH x Area Diff.	27% PWH x Area Diff.	Difference Col. 1-3 = Subsidy	Difference Col. 1-3 = Subsidy	Difference Col. 1-5 = Subsidy
1	<u>Northwest Arctic</u>		133.75 + 5%									
	Kivalina H.S.	2		\$ 81,960	\$ 160,000	\$.51	\$ 33,400	\$ 41,600	\$ 60,800	\$ 43,550	\$ 40,360	\$ 21,160
	Shungnak H.S.	2		81,960	160,000	.51	33,400	41,600	60,800	43,550	40,360	21,160
	Kiana H.S.			40,980	96,480	.42	23,155	25,085	36,662	17,825	15,695	4,318
	Noatak			40,980	57,780	.72	13,667	15,000	21,956	27,113	25,957	19,024
	Noorvik	2		81,960	270,175	.29	67,002	72,355	102,086	14,958	9,375	(24,124) negative figure as -0-
	Total			\$ 327,840	\$ 753,435	\$.44	\$ 186,827	\$ 195,593	\$ 288,304	\$ 147,016	\$ 131,947	\$ 65,662
2	<u>Bering Straits</u>		126.25 + 5%									
	Gambell H.S.			\$ -0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	Snikilok H.S.	2		81,960	160,000	.51	35,200	40,000	57,600	46,760	41,960	24,350
	Savonna H.S.			-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	Knyuk			40,980	67,643	.61	14,749	16,761	24,135	26,231	24,219	16,345
	Wales			40,980	47,633	.86	10,492	11,923	17,169	30,436	29,057	23,511
	Total			\$ 163,920	\$ 274,736	\$.60	\$ 60,441	\$ 68,684	\$ 98,904	\$ 103,479	\$ 95,236	\$ 65,016
3	<u>Lower Yukon</u>		130.0 + 5%									
	Atkasnak H.S.			\$ 40,980	100,000	.41	23,000	26,000	37,000	17,980	14,950	3,980
	Emmonak H.S.			40,980	100,000	.41	23,000	26,000	37,000	17,980	14,950	3,980
	Fortuna			40,980	78,960	.52	19,161	20,550	29,215	22,819	20,450	11,765
	Mc. Village H.S.			40,980	100,000	.41	23,000	26,000	37,000	17,960	14,980	3,980
	Pitka's Point			40,980	43,033	.95	9,310	11,233	15,943	31,070	29,777	25,037
	Total			\$ 204,900	\$ 422,043	\$.49	\$ 97,071	\$ 105,733	\$ 156,153	\$ 107,829	\$ 95,167	\$ 48,742
4	<u>Lower Kuskokwim</u>		130.0 + 5%									
	Toksook Bay H.S.			40,980	100,000	.41	23,000	26,000	37,000	17,980	14,980	3,980
	Total			\$ 40,980	\$ 100,000	\$.41	\$ 23,000	\$ 26,000	\$ 37,000	\$ 17,980	\$ 14,980	\$ 3,980
6	<u>Southwest</u>		126.25 + 5%									
	Togiak H.S.	2		\$ 81,960	150,000	.55	33,000	37,500	54,000	48,960	44,460	27,560
	New Stuyahok			40,980	130,332	.31	28,673	32,563	46,920	12,307	8,397	(5,520) negative figure as -0-
	Total			\$ 122,940	\$ 280,332	.44	\$ 61,673	\$ 70,063	\$ 100,920	\$ 61,267	\$ 52,857	\$ 27,950
11	<u>Iditarod</u>		133.75 + 5%									
	Anvik			\$ 40,980	\$ 68,225	.61	16,374	17,733	25,925	24,606	23,242	15,055
	Holy Cross			40,980	58,666	.70	14,158	15,275	22,369	26,352	25,675	18,511
	Total			\$ 81,960	\$ 127,091	\$.64	\$ 30,502	\$ 33,008	\$ 48,294	\$ 51,458	\$ 48,917	\$ 33,666
12	<u>Yukon-Koyukuk</u>		133.75 + 5%									
	Kaltag			\$ 40,980	83,359	.49	20,013	21,071	31,682	20,767	19,299	9,202
	Huslia			40,980	112,613	.36	27,028	29,261	42,795	13,952	11,639	(1,815) negative figure as -0-
	Minto			40,980	55,250	.48	20,467	22,173	32,406	20,513	18,797	8,571
	Nulato	2		81,960	143,156	.57	31,757	37,271	54,302	47,603	44,735	27,551
	Total			\$ 204,900	\$ 424,433	\$.48	\$ 101,565	\$ 110,366	\$ 161,288	\$ 103,035	\$ 94,544	\$ 45,427
14	<u>Chatanika</u>		133.75 + 5%									
	Arctic			\$ 40,980	95,000	.33	18,240	20,152	27,840	22,740	20,820	13,152
	Total			\$ 40,980	\$ 96,000	\$.33	\$ 18,240	\$ 20,152	\$ 27,840	\$ 22,740	\$ 20,820	\$ 13,152
	GRAND TOTAL			\$1,134,420	\$2,378,035	\$.39	\$ 573,619	\$ 633,942	\$ 916,708	\$ 614,804	\$ 554,463	\$393,553

Exhibit II

KWH Consumption and Billing - State Schools Served in AVEC Villages for Calendar Year 1975

State School	Total KWH used by State School	Total KWH used by Pumping water & fac. billed with State school	KWH By County	Total KWH used by community (including school)	Percentage of total bill paid by school	U.S. Census of Population 1970	Total Revenue from school but fuel surcharge	Total Revenue from state school	Total Revenue from school	Percentage of total revenue	Total Revenue from entire community including school without fuel surcharge	Total Revenue from entire community including school from fuel surcharge	Total Revenue from entire community including school	Percentage of total revenue from school
Angoon	96,000			403,005	23.8	400	\$ 16,020.00	844.35	34,864.35	36	83,427.57	3,494.17	86,921.74	40.1
Anvik	68,225			98,211	69.5	83	33,264.00	683.78	33,947.78	50	36,954.42	962.96	37,917.38	65.0
Barnek High School	3,680			432,213	1.4	439	7,835.00	114.66	7,949.66	50	87,129.66	3,397.67	90,527.33	3.3
Fortuna Lodge	70,960			160,929	36.0	175	36,020.00	678.21	36,698.21	44	45,690.59	1,218.41	46,909.00	74.0
Holy Cross	58,865			201,661	29.2	199	33,458.00	390.51	33,848.51	57	55,383.83	1,570.54	56,954.37	52.4
Hualla	112,618			216,401	52.0	159	31,020.00	1,019.43	35,039.43	31	51,543.05	2,097.70	53,640.75	65.3
Katag	81,389	27,076		160,028	52.1	206	34,040.00	824.59	34,864.59	42	47,562.12	1,325.00	48,887.12	71.0
Kiana High School	96,480			554,315	21.2	278	24,570.00	1,538.16	26,108.16	27	91,274.77	4,580.66	95,855.43	27.2
Kivallina	34,050			164,494	32.9	188	36,020.00	487.12	36,507.12	24	51,820.42	1,637.57	53,457.99	64.5
Koyuk	67,047			170,769	39.3	122	36,020.00	517.40	36,537.40	52	45,618.76	1,192.31	46,811.07	73.8
Minto	85,280			158,733	53.7	310	34,020.00	705.12	34,725.12	41	47,444.03	1,387.41	48,831.44	71.1
New Village High School	On logs Dec. 1975			560,737		419	612.50		612.50		90,528.79	4,739.55	95,268.34	9
New Sruyakh	130,332			223,895	58.2	215	34,020.00	1,256.00	35,276.00	27	49,970.15	1,975.12	51,945.27	67.7
Nuatak	57,780			167,300	34.5	293	34,020.00	583.64	34,603.64	40	53,082.05	1,704.12	54,786.17	63.2
Nuorvik (2)	279,175			495,401	56.4	462	61,519.50	2,796.39	64,315.89	23	96,047.99	5,036.55	101,084.54	63.6
Nulato (2)	167,156	21,383		282,513	50.7	308	59,535.00	1,037.32	60,572.32	42	81,127.41	2,667.81	83,795.22	72.3
Pickas Point	43,088			62,205	69.3	70	31,185.00	397.18	31,582.18	73	35,079.88	642.30	35,722.18	88.4
Shishmaref	58,242			219,742	26.5	267	33,020.00	608.36	33,628.36	59	50,963.31	2,263.45	53,226.76	55.0
Shungnak	82,234			140,332	58.6	165	36,020.00	737.37	36,757.37	42	46,373.25	1,413.53	47,786.78	72.7
Togalak	112,209			292,504	38.4	383	36,020.00	889.59	36,909.59	31	64,550.55	2,712.38	67,262.93	51.9
Wales	47,693			92,647	51.5	131	34,020.00	337.22	34,357.22	42	42,566.12	740.44	43,306.56	79.3
TOTAL for current 23 schools	2,760,760	48,459		17,508,515	34.6	489	689,444.00	16,336.00	705,780.00	42	1,265,133.00	47,135	1,312,268.00	53.7

New Schools Under Construction to be receiving AVEC Service starting in 1976

Schools or School additions to AVEC Villages planned under GS-SB564/SB564	Schools with additional electrical service to new additions	New AVEC Service Contracts Starting 1976
1) Ambler	1) Angoon	1) Ambler
2) Angoon	2) Holy Cross	
3) Anvik	3) Minto	
4) Barnek	4) New Sruyakh	
5) Savonza High School	5) Nuatak	
6) Shishmaref High School		
7) Shungnak High School		
8) Togalak High School		
9) Toksook Bay High School		

1) Ambler *	7) Goodnews Bay *	13) Nukoryuk *	19) Nuupitcheuk *	25) Shageluk
2) Angoon *	8) Crayling *	14) Minto *	20) Old Harbor *	26) Shaktoolik
3) Anvik	9) Hualla	15) Mountain Village	21) Pine Station *	27) Steplink *
4) Barnek *	10) Kalokag *	16) New Sruyakh *	22) Quinhagak *	28) Tununak *
5) Barnek *	11) Kaulokag *	17) Nuatak *	23) St. Michael	29) Wales
6) Barnek *	12) Koyuk	18) Nulato *	24) Sealon Bay	