

LEG. FINANCE - BILLS 1977 - 1978 993

SB 589 cont., thru HCSSB 592

Representative Al Nakak  
March 10, 1978  
Page 2

directly related to state programs. While we have not yet finalized the figures to assign to the various programs, those involved were Adult Basic Education, the Boarding Home Program, State CETA Training, and the Receiving Home. Approximately half of the debts can be assigned to the Boarding Home program.

We will be meeting with Mike Harper and Sue Greene of Gov. Hammonds staff on Monday and will be in contact with you shortly thereafter for lunch on Tuesday.

Your support and assistance and willingness to go to bat for us is greatly appreciated by the people of Kawerak.

Sincerely,



Charles H. Johnson  
Executive Vice President

CHJ/lis

JOHN L. MCCLELLAN, ARK., CHAIRMAN

WALTER G. MATHIAS, WASH.  
JOHN C. STENNIS, MISS.  
ROBERT C. BYRD, W. VA.  
WILLIAM PROXMIRE, WIS.  
DANIEL K. INOUE, HAWAII  
ERNEST F. HOLLINGS, S.C.  
BIRCH BAYH, IND.  
THOMAS F. SAGLITON, MD.  
LAWTON CHILES, FLA.  
J. BIRNEY JOHNSON, LA.  
WALTER D. HULL, TEXAS  
QUINTON J. BURDICK, N. DAK.  
PATRICK J. LEAHY, VT.  
JAMES R. BASS, TENN.  
DENNIS DE CONCINI, ARIZ.

MILTON R. YEHRIG, N. DAK.

CLIFFORD P. CASE, N.J.

EDWARD W. BURNHEIM, MASS.

MARK O. MATHEWS, OHIO.

TED STEVENS, ALASKA

CHARLES McC. MATHEWS, JR., MD.

RICHARD L. SCHWEIKER, PA.

HENRY BILLMOHR, OKLA.

LOUIS P. WEICHER, JR., CONN.

## United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

RECEIVED NOV 28 1977

November 21, 1977

JAMES R. CALLOWAY  
CHIEF COUNSEL AND STAFF DIRECTOR

Mr. Charles H. Johnson  
Executive Vice President  
Kawerak, Inc.  
P.O. Box 505  
Nome, Alaska 99762

Dear Charles:

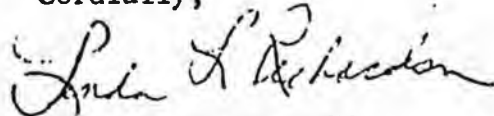
I had hoped to get to Nome earlier this month so we could follow up on your progress in obtaining assistance to liquidate Kawerak's debts incurred in contracting for state and Federal programs. Unfortunately, I had to cancel my trip to the State.

I have spoken with Ted Krensky, Director of the Bureau's Office of Indian Services. He indicated a willingness to help with the costs incurred through contracting Bureau programs, but feels that they will be able to provide financial assistance for those programs administered by other Federal and State agencies. He said that you had spoken with Forrest Gerard last week in Anchorage who will be providing you with some additional information in this area.

Please continue to keep us informed.

With best wishes,

Cordially,



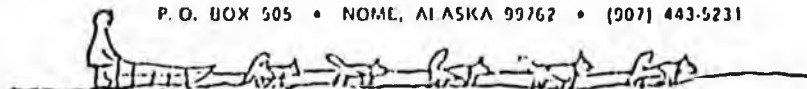
LINDA L. RICHARDSON

Professional Staff, Minority

# KAWERAK, INC.

BERING STRAITS NATIVE ASSOCIATION

P. O. BOX 505 • NOME, ALASKA 99762 • (907) 443-5231



January 17, 1978

Mr. Sanford Cohn, Chief  
Division of Contract Services  
U.S. Department of Labor, ETA  
Patrick Henry Building, Room 6406  
601 "D" Street, N.W.  
Washington, D.C. 20213

Subject: Audit Report No. 11-8-002-L-002 Response Delay

Dear Mr. Cohn:

We have received our copy of the above mentioned audit. As you are aware from the audit report, one of the potential problem areas in Kawerak's operation of present Department of Labor programs would be the lack of a full time trained Accountant. We are pleased to report that this situation has been corrected. Unfortunately the search was a lengthy one, and the position was not filled until December 1, 1977. Since his arrival on the scene, Mr. Steve Audgahl our Comptroller, has been working with Representatives of AFN, Management Assistance Program as well as Coopers & Lybrand Management Services Division to correct other potential problem areas.

You are also aware from the audit report, there was \$105,993.00 of DOL funds for which there had been no adequate accounting made. We are presently in the process of gathering information from the various creditors which is necessary to adequately explain what has happened at Kawerak during the period of time in question.

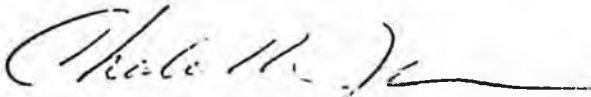
Mr. Sanford Cohn, Chief  
January 17, 1978

Page Two

It is our purpose in this letter to request an extension to March 15, 1978 for our reply to this audit report. While most of the problem areas mentioned in the audit report have been corrected, we feel that a more complete response could be made of that time. We believe the additional time would be well used to allow our Comptroller to become more familiar with the situation here and in collecting and organizing incoming information from our Creditors.

If there is any problem with such an approach, please let me know and we will immediately draft a response based upon information available of that time.

Sincerely,



Charles H. Johnson  
Executive Vice-President

CHJ/ek

cc: Eloise King, DINAP - Seattle  
Barry Jackson, Attorney - Fairbanks

# KAWERAK, INC.

BERING STRAITS NATIVE ASSOCIATION



December 8, 1977

The Honorable Micheal Bluin  
Chairman, Sub-Committee on Indian Education  
Committee on Education and Labor  
2181 Rayburn House Office Building  
Washington, D.C. 20515

Dear Congressman:

This letter is more intended to bring you up to date on Kawerak and the Bering Straits Native Association, rather than comment on any Legislation concerning the Education needs of Alaska Natives. That we intend to address further on in our development of a sound Tribal Organization for our people.

I am sorry I missed seeing you on my last visit to Washington D.C. at the end of September, I did get a chance to visit briefly with Alan Lovosø. I plan on dropping in on you when I get back there again, if, for nothing else than to tell you fishing stories.

As you can remember from your visit to our Region last August, Kawerak was the Alaska Regional Non-profit that was forced into bankruptcy court under Chapter 11, because the accumulated debts were much greater than the assets of the Corporation. This action was the result of poor fiscal management, of living on cash flow that was increasing because of rapid program growth, and of poor accounting practices.

In spite of these problems, we have found no evidence of "rip offs", fraud or misappropriations of funds. In fact, our research shows that the programs and services delivered were exemplary and went beyond what the contracts or grants called for. This over-enthusiasm is partly responsible for much of the over-expenditures.

The other causes of the over expenditures can be traced to inadequate funding for services contracted for, inadequate indirect rates and over enthusiastic auditing on purely technical errors on our part.

While we can trace some of our problems to poor management on the part of my predecessors, I believe much of the blame should be placed on the Federal and State Agencies who knew of Kawerak's fiscal management problems, yet chose to look the other way and continued to put money into Kawerak, despite the problems. The DOL Project Officer in Seattle told me in 1975 about visiting Kawerak in 1974 and of their poor record keeping, yet the DOL continued to fund and put CETA money

The Honorable Michael Bluin  
December 8, 1977

Page Two

into Kawerak until Kawerak went into court.

So, we feel that the Federal and State Agencies must bear with us the responsibility to clear up the old debts developed by programs funded by those Agencies. We now have the support of our Congressional Delegation, the Senate Appropriations Staff, the Select Senate Committee on Indian Affairs, and the new Assistant Secretary of Interior, Forrest Gerard for this premise. This support is based upon our plans to justify the full cost of those programs against the services delivered. By comparing the amount of money we received, the services we delivered and the actual amount those services cost, we feel we should be able to go back to the involved agency and recover most, if not all of the amount that we expended. We feel that even though many of the records are unauditible due to poor accounting practices, we have enough information to leave little doubt as to the authenticity of the questioned expenditures.

With the suggestion of Linda Richardson of the Senate Appropriation Staff, we went to Forrest Gerard and he has agreed to play the lead in pulling together the Agency Representatives in Washington, D.C. next April or May, once we have completed our work on justifying our debts. Out of these meetings should come a method of paying those old debts. Hopefully if everything goes well, we hope to get out of court during this fiscal year.

Your support for our plans will be a big boost to our efforts. If you have any questions, please call me, Lynn Ager of Congressman Don Young's Staff, Mark Boyer of Senator Gravel's Staff or Sally Crossman of Senator Stevens Staff.

As to our current programs, we are running what we consider a model Agency. We are putting much of our efforts into up-grading the Native Teacher Aides into certified teachers. These Aides are now providing the continuity in our village schools as well as providing a positive model for our children. We will keep you informed of our progress.

I hope you will be able to visit us again in the near future. We need leaders like you who will listen to our needs and take action.

Until we can go fishing.

Sincerely,

Charles H. Johnson  
Executive Vice-President

cc: Lynn Ager, Congress Don Young's Staff  
Mark Boyer, Senator Gravel's Staff  
Sally Crossman, Senator Stevens's Staff

Congress of the United States  
House of Representatives

WASHINGTON OFFICE  
213 CARRISON BUILDING  
WASHINGTON, D.C. 20515  
TELEPHONE (202) 225-2911

DISTRICT OFFICES:  
ROOM 222  
FEDERAL BUILDING  
DUBUQUE, IOWA 52001  
(319) 556-7575  
207 FEDERAL BUILDING  
CEDAR RAPIDS, IOWA 52401  
(319) 366-2411  
302 WILSON BUILDING  
CLINTON, IOWA 52732  
(319) 243-6833

MICHAEL T. BLOUIN, 2ND DISTRICT, IOWA

EDUCATION AND LABOR COMMITTEE  
GOVERNMENT OPERATIONS COMMITTEE  
SELECT COMMITTEE ON AGING

RECEIVED DEC 28 1977

December 20, 1977

Mr. Charles H. Johnson  
Executive Vice-President  
Kawerak, Inc.  
Bering Straits Native Association  
P.O. Box 505, Nome, Alaska 99762

Dear Charlie,

Thank you for your letter received December 13, in which you described the background of events regarding the financial conditions of Kawerak, as well as what the future holds in store.

I certainly feel your actions up to this point are justified and it is gratifying to hear that the Assistant Secretary is sympathetic to the problem. It would seem that your plan which has been adopted to justify your debts, etc., makes a great deal of sense.


Please know that you can count on my support. It would certainly seem that your present situation was not the product of a purposely conceived attempt to hide financial transactions. I would hope that the course of action you are now following would in itself be a solution to the problem.

As I indicated above, I support your attempts to rectify the problem and will do whatever I can to be helpful. I, too, wish you could have stopped by the office on your last visit to Washington. We could have at least talked about fishing, as I guess that's as close as I ever get to the "real thing." Please stop by

the next time you're in town.

Kindest personal regards,

Sincerely,



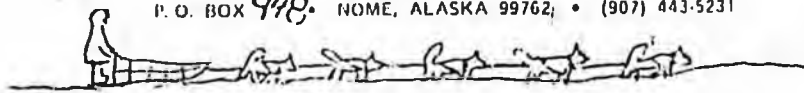
Michael T. Blouin, Chairman  
Advisory Study Group  
on Indian Education

MTB:dp

# KAWERAK, INC.

BEHING STRAITS NATIVE ASSOCIATION

P. O. BOX 948, NOME, ALASKA 99762, • (907) 443-5231



SB 589

June 5, 1978

Representative Steve Cowper  
Chairman  
House Finance Committee  
Room 413, Capital  
Juneau, Alaska

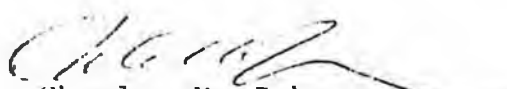
*Cowper - Exch  
file.*

Dear Steve:

Attached is the work papers done by Francis Gallela of Coopers & Lybrand for the administrative costs for 1975 and 1976 programs. On the basis of the actual administrative expenses for 1975 and 1976 our indirect rates would have been 33.1% of direct expenditures.

Comparing our costs for the 1975 and 1976 Dorm and Boarding Home Program of \$656,623 (page 2 of justification) our direct cost at the 33.1% rate would have been \$217,342. We were allowed \$12,533 indirect (or 3% of \$415,769) plus \$15,448 of line item expenses which would be called administrative for a total of \$27,981 for a loss of \$189,360 or close to the \$189,940 that we figure we have lost on State contracts, this means that most of our losses can all be traced to the operation of the Boarding Home Program.

Sincerely,

  
Charles H. Johnson,  
Executive Vice-President

ENCLOSURES

cc: Alfred Nakak  
Senator Ferguson  
Barry Jackson

EXHIBIT B  
KAWERAK, INC.

A NON-PROFIT INSTITUTION  
COMPUTATION OF INDIRECT COST RATE

For the eighteen months ended June 30, 1976

	Total	Less: Exclusions	Direct	Indirect
	Costs	Capital	Costs	Costs
		Expenditures		
		Other		
TOTALS (Exhibit A)	<u>\$2,088,774</u>	<u>\$37,023</u>	<u>\$2,013</u>	<u>\$1,539,791</u>
			<u>\$1,539,791</u>	<u>\$509,947</u>

Rate Computation:

$$(A) \div (B) = \frac{509,947}{1,539,791} = 33.1\% \text{ of total direct costs less capital expenditures.}$$

## EXHIBIT A

KAWERAK, INC.

A NON-PROFIT INSTITUTION

INDIRECT COST RATE PROPOSAL

## SUMMARY OF DIRECT AND INDIRECT COSTS

For the eighteen months ended June 30, 1976

	TOTAL	LESS: EXCLUSIONS		DIRECT	INDIRECT	NOTES
	<u>COSTS</u>	<u>Capital</u>	<u>Other</u>	<u>COSTS</u>	<u>COSTS</u>	
		<u>Expenditures</u>				
GENERAL AND ADMINISTRATIVE COSTS						
Salaries and wages	\$ 98,295				\$ 98,295	
Fringe benefits	15,825				15,825	
Donations	1,607		\$1,607			
Equipment & other capital expenditures	4,452	\$ 4,452				
Rent	135,374				135,374	
Building Maintenance	24,620				24,620	
Other expenses	235,833				235,833	
GRANTS, PROGRAMS AND CONTRACTS						
Salaries and wages	355,055			\$ 355,055		(1)
Fringe benefits	57,164			57,164		
Equipment & other capital expenditures	32,571	32,571				
Interest	406		406			
Other expenses	<u>1,127,572</u>			<u>1,127,572</u>		
	<u>\$2,088,774</u>	<u>\$ 37,023</u>	<u>\$2,013</u>	<u>\$1,539,791</u>	<u>\$ 509,947</u>	

(1) Maintenance salaries in the amount of \$7,525 are included in indirect costs.

The Report  
 Prepared by  
 A.C.S.L.  
 Document  
 Exhibit  
 The Report  
 CALSAC

EXHIBIT B  
 KAWERAK, INC.  
 A NON-PROFIT INSTITUTION

COMPUTATION OF INDIRECT COST RATE  
 For the eighteen months ended June 30, 1976

	Total Costs	Less: Exclusions		Direct Costs	Indirect Costs
		Capital Expenditures	Other		
TOTALS (Exhibit A)	\$2,058,774	\$37,023	\$2,013	\$1,452,627	\$567,111
				(B)	(A)
Rate Computation:					
	$(A) \div (B) = \frac{567,111}{1,452,627}$		$= 38.3\% \text{ of total direct costs}$		
	$\text{less capital expenditures}$				



# COMMITTEE REPORT

## SENATE

FURTHER: \_\_\_\_\_

4/13/78

Date: \_\_\_\_\_

Mr. President:

The Committee on FINANCE has had SB 589 appropriating \$189,940 to Dept. of Education for reimbursement to Kawerak, Inc.

under consideration and (a majority of the committee) (the committee reports it back as follows)

- 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 \_\_\_\_\_  new title                       same title

- AND attaches a Letter of Intent                       New Fiscal Note  
 reports it back without recommendation  
 and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

\_\_\_\_\_  
Chairman

Introduced: 4/13/78  
Referred: Finance

BY THE LABOR AND MANAGEMENT  
COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 589

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act appropriating \$189,940 to the Department of  
7 Education for reimbursement to Kawerak, Inc. for ser-  
8 vices received by the state from Kawerak, Inc.; and  
9 providing for an effective date."

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

11 \* Section 1. The sum of \$189,940 is appropriated from the general fund to  
12 the Department of Education for reimbursement to Kawerak, Inc. for services  
13 received by the state from Kawerak, Inc.

14 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
15 070(c).

16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

COMMITTEE COPY

ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

SENATE BILL NO. 589

By THE LABOR AND MANAGEMENT COMMITTEE

"An Act appropriating \$189,940 to the Department of Education for reimbursement to Kawerak, Inc. for services received by the state from Kawerak, Inc. and providing for a effective date."

Kawerak, Inc.

Introduced in the Senate 4/13/78, 1978

HISTORY IN THE SENATE

19 78	Read first time and referred to Committee on Finance																						
4 13	Reported back with recommendation that																						
	Read second time and																						
	Read third time and																						
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date																						
Yeas	Yeas																						
Nays	Nays																						
Absent	Absent																						
Excused	Excused																						
Reconsideration																							
PASS	Effective Date																						
Yeas	Yeas																						
Nays	Nays																						
Absent	Absent																						
Excused	Excused																						
	Reported correctly engrossed Signed by President Sent to House																						
SECRETARY OF THE SENATE																							

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on																						
	Reported back with recommendation that																						
	Read second time and																						
	Read third time and																						
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date																						
Yeas	Yeas																						
Nays	Nays																						
Absent	Absent																						
Excused	Excused																						
Reconsideration																							
PASS	Effective Date																						
Yeas	Yeas																						
Nays	Nays																						
Absent	Absent																						
Excused	Excused																						
	Reported correctly engrossed Signed by Speaker Returned to Senate																						
CHIEF CLERK OF THE HOUSE																							

HISTORY IN THE SENATE

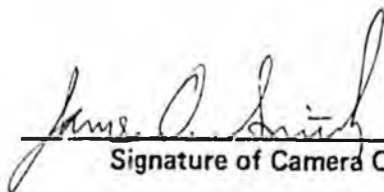
19	Received from House
	To enrolling
	Reported correctly enrolled
	Sent to Governor
	..... by Governor
	Filed with Lt. Governor
	Chapter No. ....

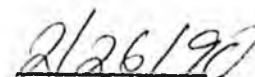


# RECORDS CERTIFICATION



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

  
\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

COMMITTEE REPORT  
SENATE

5/2/78

FURTHER: \_\_\_\_\_

Date: Nov 10, 1985

Mr. President:

The Committee on FINANCE has had HR 592

'lifeline' electrical service to residential consumers of electrical energy

under consideration and (a majority of the committee) (the committee reports it back as follows)

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 \_\_\_\_\_ ( ) new title              ( ) same title

( ) AND attaches a Letter of Intent              ( ) New Fiscal Note

reports it back without recommendation

( ) and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Chairman

Original sponsor: State Affairs Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 592

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing 'lifeline' electric service to resi-  
7 dential consumers of electric energy; and providing for  
8 an effective date."

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

10 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

11 (1) there exist many areas of the state where the citizens are  
12 burdened by exorbitant electric energy costs; and

13 (2) electric energy sufficient to supply the basic needs of living  
14 of all the people of the state should be made available at reasonable cost.

15 (b) It is the purpose of this Act to provide a basic necessary amount  
16 of electric energy for residential consumer use at reduced costs and to  
17 establish reasonable energy price par. / for electric energy use throughout  
18 the state.

19 \* Sec. 2. AS 44.33.040 is amended by adding a new paragraph to read:

20 (12) administer the residential electric energy lifeline rate  
21 fund.

22 \* Sec. 3. AS 44.33 is amended by adding new sections to read:

23 ARTICLE 2A. RESIDENTIAL ELECTRIC ENERGY LIFELINE RATE FUND.

24 Sec. 44.33.030. RESIDENTIAL ELECTRIC ENERGY LIFELINE RATE FUND  
25 CREATED. There is created within the section of power development of  
26 the Department of Commerce and Economic Development the residential  
27 electric energy lifeline rate fund. From legislative appropriations to  
28 the fund, the department shall pay grants to eligible public utilities  
29 providing electric energy in accordance with secs. 80 - 99 of this

1 chapter.

2 Sec. 44.33.085. ELECTRIC ENERGY GRANTS. Payments shall be made  
3 under secs. 80 - 99 of this chapter to defray the costs of electric  
4 energy consumption for the lifeline energy usage block for residential  
5 customers of a utility if the rate allowed by the utility's tariff  
6 exceeds the lifeline electric energy usage block rate. The payment due  
7 a utility shall be determined by

8 (1) calculating the difference between the actual rate  
9 charged by the utility and the lifeline electric energy usage block rate  
10 for a residential customer;

11 (2) multiplying the amount determined under (1) of this  
12 section by the amount of electric energy consumed within the lifeline  
13 electric energy usage block by each residential customer;

14 (3) summing the amounts determined under (2) of this section  
15 for all residential customers served.

16 Sec. 44.33.090. PROGRAM ADMINISTRATION. (a) Payments shall be  
17 made by the department directly to the utility. Payments shall be made  
18 to a utility not less often than monthly.

19 (b) No payment of any portion of the proceeds of the fund may be  
20 made by the commissioner unless

21 (1) there is on file with the department a written certifica-  
22 tion of the commission that a utility providing electric energy for  
23 which a grant payment may be made under secs. 80 - 99 of this chapter is  
24 subject to regulation by the commission under AS 42.05; and

25 (2) the commissioner is satisfied that, unless specifically  
26 authorized on a temporary basis by the commission under AS 42.05.411(d),  
27 the monthly rate paid for the initial 300 kilowatt-hours per month by a  
28 residential customer of a utility to which a grant payment is to be made  
29 exceeds the lifeline electric energy usage block rate determined under

1 sec. 99(4) of this chapter for the lifeline electric energy usage block,  
2 as that rate may have been adjusted by the commission.

3 (c) Annually, before January 31, the commissioner shall determine  
4 and advise the governor and the legislature of his estimate of the sum  
5 required to provide funds sufficient to make full payment of grants from  
6 the fund to all qualifying utilities under sec. 85 of this chapter.

7 (d) If amounts appropriated to the grant fund are insufficient to  
8 meet the full payment due each utility under sec. 85 of this chapter,  
9 the amount available in the fund shall be distributed pro rata among  
10 eligible utilities. If proration of payment is required, the commis-  
11 sioner shall immediately notify the chairman of the commission and all  
12 qualified utilities. When a utility receives notice from the commis-  
13 sioner that proration of payment is required under this section, the  
14 utility, after providing written notice to each affected customer of the  
15 reason for the change in the charge for residential service, may require  
16 residential users to pay an increased portion of the cost of residential  
17 service, not to exceed the rate allowed under the effective tariff,  
18 which is sufficient to yield the rate of return to the utility con-  
19 templated in the effective tariff.

20 (e) The department may adopt regulations to carry out the purposes  
21 of secs. 80 - 99 of this chapter.

22 Sec. 44.33.099. DEFINITIONS. In secs. 80 - 99 of this chapter

23 (1) "commission" means the Alaska Public Utilities Commis-  
24 sion;

25 (2) "commissioner" means the commissioner of the Department  
26 of Commerce and Economic Development;

27 (3) "department" means the Department of Commerce and Eco-  
28 nomic Development;

29 (4) "lifeline electric energy usage block" means the initial  
30

1 amount of energy for residential customers of a utility providing elec-  
2 tric energy and is limited to 300 kilowatt-hours per month per residen-  
3 tial customer unit;

4 (5) "lifeline electric energy usage block rate" means the  
5 statewide standard rate for the lifeline electric energy usage block  
6 which, unless adjusted by the commission, is 10 cents per kilowatt-hour.

7 \* Sec. 4. AS 42.05.141 is amended by adding a new subsection to read:

8 (b) The Alaska Public Utility Commission shall, not later than  
9 January 15 annually, on the basis of the local rate experience of utili-  
10 ties participating in the lifeline rate grant program during the pre-  
11 ceding calendar year, annually determine a rate increment differential  
12 applicable to the lifeline electric energy usage block rate under AS  
13 44.33.099(5), and report the differential determined to the commissioner  
14 of the Department of Commerce and Economic Development for use in ad-  
15 ministration of the residential electric energy lifeline rate fund  
16 during that calendar year. In determining a rate increment differential  
17 under this subsection, the commissioner shall take into account all fuel  
18 surcharges.

19 \* Sec. 5. AS 42.05.391(d) is amended to read:

20 (d) Nothing in this section prevents a public utility from charg-  
21 ing reduced rates

22 (1) to customers transferred to it from a competing utility  
23 providing the reduction is an integral part of a contract, arrangement  
24 or plan to eliminate the overlapping of service areas or to minimize  
25 duplication of facilities and competition between public utilities;

26 (2) to residential customers of a public utility which is  
27 providing electric energy, if the reduction is authorized by the commis-  
28 sion to qualify customers of the utility for the benefits of the resi-  
29 dential electric energy grant and the reduced rate charged is not less

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

than the amount provided to the utility by way of a grant from the residential electric energy lifeline rate fund.

\* Sec. 6. This Act takes effect October 1, 1978.



**BERING STRAITS REGIONAL HOUSING AUTHORITY**

P.O. Box 995  
Nome, Alaska 99762  
443-5256 or 5257

*Cathy 7*

May 2, 1978

Honorable Steve Cowper  
Chairman  
House Finance Committee  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Cowper :

I am writing concerning the legislation currently going thru the legislature which would reduce all individuals electrical rates to .10 per KWH up to 300 KWH a month, with the State paying the rest of the bill .

As a Regional Housing Authority, we are very concerned about the cost of Utilities in our region . According to the Regulations established by the United States Department of Housing and Urban Development, we are allowed to charge no more than 25% of the participants income, less the cost of utilities . Under these regulations, we must present to HUD a comparative analysis of utility costs, in order to have the project approved . If the Utility costs plus the administrative charge exceeds 25% of the participants income, the project will not be approved . Also under our current Management program, the high cost of electricity in the villages of our region often forces the people to make the choice of paying their electrical bill or make the payments on their home . Usually they choose to pay the electrical bill and fuel bill and very often face the threat of eviction due to non payment on their homes .

Since the high cost of electrical services could have a very detrimental effect on present and future programs of Bering Straits Regional Housing Authority we do hereby urge you to act favorably on SB 592 and 593 .

Sincerely,

Charles Nelson  
Executive Director

cc : Chairman Steve Cowper  
Chairman John Sackett  
Senator Frank Ferguson  
Nome Eskimo Community

# MEMORANDUM

210 510 9 575  
SB 592

TO:

John Sackett, Chairman  
Senate Finance Committee

DATE May 5, 1978

FILE NO

TELEPHONE NO

FROM:

Carolyn S. Guess, Commissioner  
Alaska Public Utilities Commission  
*CSG*

SUBJECT

In response to Senator Orsini's inquiry regarding average residential monthly consumption of utilities serving rural Alaska, the following information may be helpful:

	residential consumers	average kwh usage
Kotzebue Electric Association	438	424
Nushagak Electric Association	359	370
Bethel Utilities	1,039	327

cc: Senator Orsini *Orsini*  
Senator Ferguson  
Representative Anderson

*Alaska 285*

*Handwritten notes and stamps at bottom right*

May 3, 1978

CSSB 592

CS allows for indicated specific use of energy and not a generalized sum.

Quarterly payments are changed to monthly basis to make it more timely.

Energy usage block is changed to limit 300 KWH or less.

CS allows for change in fiscal responsibility - If grant monies run out, the cost of service to residential users will revert back to them. The utility will notify them that funds are out and then turn responsibility over to residential users.

Fiscal note being prepared by Commerce. They will bring it to meeting on Friday. Carolyn Guess feels that Commerce will come up with a 100.0 note.

APUC also preparing theirs.

*Effective date Oct 1, 1978*  
*Termination June 30, 1980*



48 AVEC mirrors 37.2¢ kWh

Allow base of 10.¢  
base of 300 kWh.

Not a true life line definition.  
Not borne by higher users - is  
rather a subsidy.

Accounting:  $3¢ \times 10,000 = \underline{\$30,000}$   
 $\times 160 = \underline{\underline{28.00}}$

Quinlan "head up the louse end" - act as  
Arbitrator.

\$3.5 - 4 m 1st year (July 1).

19,000 consumers first year.

300 kWh - classes defined?

- doesn't promote energy conservation -

Short-term program?

Options: Alternative? Study.

## APUC POSITION ON THE LIFE LINE LEGISLATION

HB 937  
SB 592

The Alaska Public Utilities Commission (APUC) will address its comments concerning this legislation to the technical and financial aspects of the bill as it would effect the commission. The commission does, however, understand the problem facing the residential consumers of electricity in rural Alaska, particularly those customers of the Alaska Village Electric Association (AVEC) and has stated that it believes that AVEC's economic survival will be dependent on nontraditional approaches in rate design (see attachment 1).

The commission has worked with Senator Ferguson's staff and suggested changes and clarifications to the original legislation (see attachment 2).

The attached fiscal note indicates the "best guesstimate" of the additional APUC staff that would be required to handle the increased workload anticipated by passage of this proposal legislation.

A utility financial analyst would be required for rate design purposes. It is anticipated that expertise not currently on the commission's staff will be required to analyze requests for changes in rate design of currently eligible and prospective utilities.

Certification and rate making procedures require analysis by an engineer and utility financial analyst. Because there is no way to know what utilities will request economic regulation and because our staff workload is at the maximum, the fiscal note includes an engineer and utility financial analyst in anticipation of utilities requesting economic regulation that are currently exempt from regulation.

Attachment 3 lists those utilities, any of whose first 300 kwh are in excess of 10¢, as well as those utilities not economically regulated that may request regulations.

3 being understandable and manageable and being sufficiently  
4 sophisticated to reflect the proper price signals based on  
5 the cost of service. The rate design approved by the  
6 Commission is delineated in Appendix 4.

7 The Commission recognizes that the rate design  
8 decision in this Docket is relatively traditional in scope  
9 and believes this emphasis is appropriate to this period of  
10 AVEC's reformation. It is equally apparent that creative  
11 rate design solutions will be required in the future to  
12 adequately address the problem of the continuing conflict  
13 between the revenue requirements of AVEC and the ability or  
14 willingness of its customers to pay the necessary rates.  
15 For example, if the State's policy makers provide additional  
16 financial support to some of the large power users, con-  
17 sideration might also be given to the implementation of  
18 lifeline rates for the residential customers who are es-  
19 sential to the continuation of a program of rural electrifi-  
20 cation. Thus, the Commission would expect the scope of the  
21 rate design phase of any future rate proceeding to reflect  
22 the socio-economic balancing that will be necessary if AVEC  
23 is to survive.

24 THE COMMISSION FURTHER FINDS AND CONCLUDES:

- 25 1. The AVEC Study included an uncorrested eng-  
26 ineering assessment of the AVEC village electrical systems.
- 27 2. The AVEC Study demonstrated that AVEC is not  
28 furnishing and maintaining adequate, efficient and safe  
29 service and facilities as required under AS 42.05.291(a).

Suggested Changes in House Bill 937  
To Senator Ferguson's Staff

On April 27, I met with Chris Foster and Al Latham (legislative draftsman) of Senator Frank Ferguson's staff and Jack Chenowith (legislative draftsman) in regard to the suggested changes of a technical nature the Commission would recommend be made to House Bill 937. Beginning on page 2, line 7, the sentence beginning "the payment to a utility shall be computed . . . should be eliminated as there is no apparent known reason for the inclusion of the requirement for computation in this section.

On line 12, the Commission believes paragraph (2) of Sec. 44.47.405 should read "multiplying the amount determined under (1) of this section by the amount of electricity consumed within the life line electrical energy usage block for residential consumers." Additional language should be inserted in (3) so that the amount due the utility under the life line electric energy usage block is the sum of each residential customer's account.

The Commission believes that under Section 44.47.410 payments should be made to the utility on a monthly basis as a quarterly payment increases the utility's expense for cash working capital thereby increasing the utility's revenue requirement.

The Commission believes that any utility requesting grants under this legislation should be subject to total regulation by the Alaska Public Utilities Commission and has suggested that Sec. 44.47.410 (b) (1)(A)(B) implement this recommendation.

On page 3, line 4 (2) the Commission believes the section should read as follows . . . . "the commissioner is satisfied that the kwh rate charged, not to exceed 300 kilowatt hours per month by a residential customer of a utility to which a grant payment is to be made, does exceed the life line electrical energy usage block rate determined under Section 415(4) of this chapter for the life line electrical energy usage block as that rate may have been adjusted by the Commission."

On page 4, line 2(4) the Commission believes it should read "life line electrical energy usage block" means the initial amount of energy for residential customers of the utility providing electrical energy and will not exceed 300 kilowatt hours per month per residential customer unit."

The Commission recommended that AS 42.05.141(b)(1) be deleted. There are provisions for a utility to request economic regulation and the Commission believes this section is unnecessary.

Senator Ferguson's aides explained that AS 42.05.141(b)(2) would provide that the Commission would annually adjust the lifeline electrical energy usage block basing this adjustment on a weighted percent of increases experienced by those utilities receiving grant funds during the previous year. The adjustment would be expressed as a percentage based on the weighting of kilowatt hours consumed and the percentage of increase experienced.

Page 5, section 6 AS 42.05.411 should be amended to read (d) To preclude loss of revenues by utilities supplying electrical services in the event proration of the proceeds of the residential electrical energy life line rate fund becomes necessary under AS 44.47.410(d), the residential consumer would become responsible for the current effective tariff rate." There is no necessity for a revision of a tariff in the event the residential consumer would be responsible for the bill if state funding became unavailable.

In addition, the following items for discussion were presented to Senator Ferguson's staff.

(1) confirmation that the legislation is not mandatory but elective on the part of the utility. Since my conversation, it has become apparent that it may be necessary to write this into the legislation.

(2) whether or not the legislation should state that the utility may not rebate a customer when state monies are received.

(3) the slow payment record of state agencies to regulated utilities, particularly smaller utilities.

(4) the concern and subsequent burden on the Commission that this legislation imposes in that a utility may not have an incentive to hold down its costs if after 10¢ a kilowatt hour the state guarantees payment.

(5) the necessity for the Commission to have a rate design expert on its staff because of the temptation to load costs to the first 300 kwh block of the residential consumer.

(6) the fact that increases in the cost of fuel which occur throughout the year are to be included in the kilowatt hour rate eligible for payment from the electrical energy life line rate fund.

Utilities currently regulated or certificates pending whose rates, including the current fuel surcharge, are in excess of 10 cents per kwh.

<u>Utility</u>	<u># of Users</u>	<u>kwh:</u>	<u>Cost + Surcharge = Total</u>	<u>Weighted Average</u>
Bethel Utilities Corporation, Inc.	1,171	1st 50 nxt 200 nxt 50	13.3¢ + 1.66¢ = 14.96¢ 11.1¢ + 1.66¢ = 12.76¢ 8.3¢ + 1.66¢ = 9.96¢	12.66¢/kwh
Alaska Village Electric Cooperative, Inc.	2,893 (48 villages)	all kwh	37.2¢ + 0 = 37.2¢	37.2¢/kwh
Chugach Electric Assoc. Hope, Moose Pass, Kenai	N/A	1st 90 nxt 160 nxt 50	12.5¢ + 0 = 12.5¢ 10.6¢ + 0 = 10.6¢ 6.2¢ + 0 = 6.2¢	10.43¢/kwh ✓
Copper Valley Electric Association, Inc. Glenallen, Valdez	2,120 included in total	1st 200 nxt 100	13¢ + 1.97¢ = 14.97¢ 11¢ + 1.97¢ = 12.97¢	14.30¢/kwh ✓
Golden Valley Electric Association	12,055	1st 100 nxt 200 (Interim Rate - effective 12/20/77)	11.25 + 0 = 11.25¢ 6.04 + 0 = 6.04¢	7.77¢/kwh
Homer Electric Assoc. Seldovia, Port Graham	N/A	1st 50 nxt 50 nxt 200	15¢ + 0 = 15¢ 8¢ + 0 = 8¢ 6¢ + 0 = 6¢	7.83¢/kwh
Kodiak Electric Assoc., Inc.	1,939	1st 50 nxt 50 nxt 100 nxt 100	16¢ + .88¢ = 16.88¢ 12¢ + .88¢ = 12.88¢ 10¢ + .88¢ = 10.88¢ 7¢ + .88¢ = 7.88¢	11.21¢/kwh ✓
Matanuska Electric Assoc., Inc. Unalakleet	N/A	1st 50 nxt 50 nxt 200	38.65 + .92¢ = 47.86¢ 19.32 + .92¢ = 28.53¢ 14.49 + .92¢ = 23.70¢	28.53¢/kwh ✓

<u>Utility</u>	<u># of Users</u>	<u>kwh:</u>	<u>Cost + Surcharge = Total</u>	<u>Weighted Average</u>
Akiachuk	Application pending before the Commission - no rates available			
Alaska Power & Telephone Co. Craig	880 N/A	1st 40 nxt 60 nxt 200	11¢ + .06¢ = 11.06¢ 9¢ + .06¢ = 9.06¢ 7¢ + .06¢ = 7.06¢	7.99¢/kwh
Hydaburg	N/A	1st 40 nxt 60 nxt 200	11¢ + 3.94¢ = 14.94¢ 9¢ + 3.94¢ = 12.94¢ 7¢ + 3.94¢ = 10.94¢	11.87¢/kwh ✓
Skagway	N/A	1st 100 nxt 200	10¢ + 1.69¢ = 11.69¢ 5.5¢ + 1.69¢ = 7.19¢	8.69¢/kwh
Tok	N/A	1st 100 nxt 100 nxt 100	13¢ + 2.75¢ = 15.75¢ 12¢ + 2.75¢ = 14.75¢ 9.5¢ + 2.75¢ = 12.25¢	14.25¢/kwh
Aniak Power Company	49	1st 250 nxt 50	20¢ + 2.89¢ = 22.89¢ 18¢ + 2.89¢ = 20.89¢	22.52¢/kwh
Arctic Utilities, Inc. Deadhorse	N/A	1st 10,000	25¢ + 0 = 25¢	25¢/kwh
Barrow Utilities & Electric Coop., Inc.	447	1st 200 nxt 100	15¢ + 0 = 15¢ 12¢ + 0 = 12¢	14.00¢/kwh
Bettles Light & Power, Inc.	N/A	all kwh	24¢ + .57¢ = 24.57¢	24¢/kwh
Dot Lake Electric, Inc.	20	1st 100 nxt 200	15¢ + 0 = 15¢ 12¢ + 0 = 12¢	13.00¢/kwh
Fort Yukon Utilities	234	1st 100 nxt 200	25¢ + 3.24¢ = 28.24¢ 15¢ + 3.24¢ = 18.24¢	16.33¢/kwh
Haines Light & Power Co., Inc.	562	1st 100 nxt 200	14.25 + .79¢ = 15.04¢ 7.5¢ + .79¢ = 8.29¢	10.55¢/kwh ✓

<u>Utility</u>	<u># of Users</u>	<u>kwh:</u>	<u>Cost + Surcharge = Total</u>	<u>Weighted Average</u>
Kotzebue Electric Assoc., Inc.	490	1st 50	26¢ + 1.03¢ = 27.03¢	18.03¢/kwh
		nxt 50	22¢ + 1.03¢ = 23.03¢	
		nxt 200	13.5¢ + 1.03¢ = 14.53¢	
Manley Utility Co., Inc.	N/A	(Not regulated as to rates and services)		26.66¢/kwh
		1st 100	30¢ + 0 = 30¢	
		nxt 200	25¢ + 0 = 25¢	
Naknek Electric Assoc., Inc. Naknek	310	1st 50	20¢ + 2.56¢ = 22.56¢	15.88¢/kwh
		nxt 50	16¢ + 2.56¢ = 18.56¢	
		nxt 100	12¢ + 2.56¢ = 14.56¢	
		nxt 100	10¢ + 2.56¢ = 12.56¢	
Egegik		1st 50	24¢ + 4.5¢ = 28.50¢	29.66¢/kwh
		nxt 50	22¢ + 4.5¢ = 26.50¢	
		nxt 200	16¢ + 4.5¢ = 20.50¢	
Napakiak (Pending application for certificate)	N/A	Proposed		24¢/kwh
		all kwh	24¢ + provision = 24¢	
McGrath Light & Power Co.	95	1st 50	13.5¢ + 4.51¢ = 18.01¢	16.18¢/kwh
		nxt 150	11.5¢ + 4.51¢ = 16.01¢	
		nxt 100	11.0¢ + 4.51¢ = 15.51¢	
Northern Power & Engi- neering Corp., Inc.	26	1st 50	10¢ + 2.77¢ = 12.77¢	11.04¢/kwh ✓
		nxt 250	8¢ + 2.77¢ = 10.77¢	
Northway Power & Light, Inc.	45	1st 100	13¢ + 1.63¢ = 14.63¢	13.96¢/kwh
		nxt 100	12¢ + 1.63¢ = 13.63¢	
		nxt 100	11¢ + 1.63¢ = 12.63¢	
Nushagak Electric Coopera- tive, Inc.	486	1st 50	22¢ + 7.54¢ = 29.54¢	21.36¢/kwh
		nxt 50	15¢ + 7.54¢ = 22.54¢	
		nxt 200	11.5¢ + 7.54¢ = 19.04¢	

<u>Utility</u>	<u># of Users</u>	<u>kwh:</u>	<u>Cost + Surcharge = Total</u>	<u>Weighted Average</u>
Paxson Lodge, Inc.	4	1st 50	16¢ + 0 = 16¢	11.16¢/kwh
		nxt 50	11¢ + 0 = 11¢	
		nxt 200	10¢ + 0 = 10¢	
Holmes, W.W. d/b/a Semloh Supply Lake Minchumina	N/A	(Not regulated as to rates and services)		
		1st 50	14¢ + 0 = 14¢	9.66¢/kwh
		nxt 150	12¢ + 0 = 12¢	
		nxt 100	8¢ + 0 = 8¢	
Tanana Power Company	N/A	1st 200	13¢ + 0 = 13¢	12.66¢/kwh
		nxt 100	12¢ + 0 = 12¢	
Wakefield Seafoods, Inc. (Permanent application pending)	N/A	1st 200	15¢ + provision = 15¢	14.33¢/kwh
		nxt 100	13¢ + provision = 13¢	
Yakutat Power, Inc.	172	1st 100	12¢ + 6.36¢ = 18.36¢	17.02¢/kwh ✓
		nxt 200	10¢ + 6.36¢ = 16.36¢	
Iliamna Newhalen Electric Electric Coop., Inc.	N/A	all kwh	30¢ + 0 = 30¢	30¢/kwh
M & D Enterprises Galena	111	1st 40	27.5¢ + 0 = 27.5¢	25.46¢/kwh
		nxt 100	27¢ + 0 = 27¢	
		nxt 160	24¢ + 0 = 24¢	

Utilities not currently regulated but who could opt for regulation to become eligible for lifeline grant monies whose rates are in excess of 10 cents per kwh.

<u>Utility</u>	<u>kwh:</u>	<u>Cost + Surcharge = Tot</u>	<u>l</u>	<u>Weighted Average</u>
Seward, City of	1st 30	20¢	+ 0 = 20¢	6.76¢/kwh
	nxt 70	9¢	+ 0 = 9¢	
	nxt 200	4¢	+ 0 = 4¢	
Petersburg, City of	1st 100	10.5¢	+ 0 = 10.5¢	7.56¢/kwh
	nxt 500	6.1¢	+ 0 = 6.1¢	
Wrangell Electric Utility	1st 50	11¢	+ 0 = 11¢	6.78¢/kwh
	nxt 50	7.7¢	+ 0 = 7.7¢	
	nxt 100	5.5¢	+ 0 = 5.5¢	
North Slope Borough	all kwh	50¢	+ N/A = 50¢	50¢/kwh
Cordova, City of	1st 100	10¢	+ N/A = 10¢	9.72¢/kwh
	nxt 150	8.55	+ N/A = 8.55¢	
	nxt 250	6.65	+ N/A = 6.65¢	
Threa	No information available on residential usage			
Hoonah				
Angoon				
Kake				
Klawock				
Kasoon				

The following areas may be receiving electric service from utilities that are currently exempt from regulation because they gross less than \$25,000 per year. If this is the case, it is assumed that their rates are in excess of 10 cents per kwh and could be eligible for the lifeline grant provided they submit to economic regulation.

Akiak  
Akolmuit  
Allakaket  
Arctic Village  
Atka  
Atkutan  
Atmautlauak  
Beaver  
Belkofski  
Birch Creek  
Brevig Mission  
Buckland  
Chalkyitsik  
Chauthbaluk  
Chefornak  
Chignik  
Circle  
Clark's Point  
Crooked Creek  
Deering

Diomede  
Eagle  
Ekvok  
Golovin  
Gustavus  
Hughes  
King Cove  
Kipnak  
Klukwan  
Kobuk  
Kotlik  
Koyukuk  
Kupreanoff  
Kwethluk  
Kwigillingok  
Levelock  
Manokotak  
Mentasta Lake  
Metlakatla  
Newtok

Nikolai  
Nondalton  
Perryville  
Platinum  
Port Alexander  
Port Heiden  
Rampart  
Red Devil  
Ruby  
Russian Mission  
St. George  
St. Paul  
Sheldon Point  
Sleetmute  
Tanacross  
Teller  
Tenakee Springs  
Tuluksak  
Tuntutuliak  
Unalaska  
White Mountain

February 1, 1978

The Honorable Bill Miles  
Chairman, State Energy Policy  
Committee  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Chairman Miles:

Commissioner Guess of the Public Utilities Commission has pointed out, in the attached memorandum, some current options available for the delivery of power to the 48 rural Alaska villages served by AVEC.

I would like for you to consider having the State Energy Policy Committee evaluate the issues contained within her memo. I understand that there is growing interest in the establishment of a rural "conference" similar to the Southeast Conference that will be examining this matter. I would encourage you to work with that organization as it comes together. I would hope also that an advisory sub-committee from the rural areas could be established to work with your committee on this matter.

Sincerely,

Jay S. Hammond  
Governor

JSH:BM:vac

*Utilities  
2-1*



January 25, 1978

REAs plus the statutory responsibility of the APUC to set just, reasonable and nondiscriminatory rates. There will be no additional REA loans unless the REAs sign long term contracts to purchase AVEC power and the REAs have indicated their unwillingness to sign contracts if the educational dollar is used to subsidize residential and small power consumers -- very rapidly the system will fail.

A second alternative is to effect the level of rates requested by AVEC which would keep the utility financially viable for a period of time. The school contracts would be signed because the rates would be based on a cost to serve and the State would agree to pay the termination charge required by REA. However, few improvements to the system could be made - the hazardous conditions that are apparent today, even if corrected by Order of the Commission, will reappear because there is not the money to adequately operate and maintain the 44 separate generation facilities. The inevitable would be failure of the system -- a matter of time.

A third alternative would be to establish 41¢ power to bring this utility to an acceptable engineering and management standard of performance. The school contracts would be signed; the recommendations of the study would be implemented over a year or two, but there would be no guarantee that the residential consumer and small power user, whose revenues are 59% of the total revenue requirement, could pay these rates. Serious jeopardy to the system would occur if they were unable to pay the costs. (This would be analagous to the situation of October 1976 whereby the schools' refusal to sign the long term contracts and generate their own power threatened the existence of AVEC). In addition, AVEC's banker would loan no more money because they believe 41¢ kwh power is not financially feasible. AVEC's life will be longer but once existing loan monies are exhausted, AVEC would have to generate all needed dollars from revenues or find another banker<sup>1</sup> -- not a likely prospect.

The Commission will decide, based on the record in the proceeding, AVEC's revenue requirement and an equitable rate design. It is anticipated that an order will be forthcoming in two or three weeks.

<sup>1</sup>To date, REA has loaned AVEC two loans in the amount of \$10,261,000. An additional loan for \$14,669,000 has been approved and \$2,448,000 of this amount has been drawn down. The interest rate for these loans is 2%.

January 25, 1978

In any event, I believe the State must address the policy of whether the provision of electricity in rural Alaska is in the public interest. If the answer is in the affirmative, then the State must realistically examine its role in the provision of this service in the most efficient and cost effective manner. Apparently the State can take care of aiding the schools if their electricity bill is too costly. The January 6, 1978 memorandum to the Governor from Jim Edenso on the subject of AVEC and the REAAs speaks to the amendment of the school foundation formula if excessively high costs of electricity result from new AVEC rates. This means that the schools, through possibly an increased state formula, could afford to pay the cost of electricity without affecting the existing quality of education. Does the state ignore the residential and small power user (store owner) and expect him to pay his costs with no assistance because there is no vehicle to assist him?<sup>2</sup>

The problem which the study originally addressed will likely be solved through the recommendation documented in the January 6, 1978 memorandum, supra, made by the Governor's committee. I believe the focus should shift to the broad policy questions of the desirability, the cost and the State's role in the provision of electricity in rural Alaska.<sup>3</sup>

Bill McConkey and I discussed possible vehicles to address these policy questions -- a joint administrative and legislative committee appointed by the Governor, or the existing State Energy Policy Committee chaired by Representative Bill Miles. As a result of the AVEC study, there are resources available to any committee that is chosen to address these questions. They include Loyd Hodson, manager of AVEC; Roger Kempel, attorney for AVEC; Malcolm Chalk, REA field representative for Alaska; Britt Crosley and Chuck Sitkin of Arthur Young & Company; Bob Retherford of Retherford & Associates and myself. I would be happy to discuss my observations further and/or participate to any extent desired in future discussions of this subject.

CSG:lin

Enclosures

cc: Jim Edenso  
Sue Greene

<sup>2</sup>Enclosed are current effective rates for residential consumers served by various utilities throughout Alaska.

<sup>3</sup>Enclosed are summary sheets of the revenue requirement of all the AVEC villages broken down into expense categories and translated into costs per kwh. You will note that AVEC villages face an average cost of 18¢ per kwh to produce power at the generation site.

Also attached is the breakout of the costs to provide power to each class of consumer in each village during the test year 1976. It should be noted that this schedule could and probably would change yearly with the conditions and situations experienced at each generation site.

## REVENUE REQUIREMENT ANALYSIS

## TOTAL ALL VILLAGES

## NORMALIZED DATA

	NORMALIZED EXPENSES	CTS/ KWH•	SCHEDULE A RESIDENTIAL	CTS/ KWH•SM	SCHEDULE B COMMERCIAL	CTS/ KWH•	SCHEDULE C LARGE POWER	CTS/ KWH•
<b>POWER PRODUCTION</b>								
FUEL	1,371,141	1104	431,242	1110	346,994	1116	672,905	1049
MAINTENANCE	572,852	431	150,930	445	155,619	500	237,343	384
GENERATION AND O CHARGE	361,893	272	113,609	282	56,669	311	151,395	245
	3,345	3	998	2	1,092	4	1,250	2
<b>TOTAL</b>	<b>2,310,266</b>	<b>1009</b>	<b>746,975</b>	<b>1852</b>	<b>600,394</b>	<b>1931</b>	<b>1,062,993</b>	<b>1720</b>
<b>DISTRIBUTION</b>								
NETS EXPENSE	18,454	14	10,075	25	3,405	11	4,974	9
OPERATIONS	29,804	22	7,819	15	8,425	27	13,500	22
MAINTENANCE	170,219	120	55,244	137	37,523	121	77,352	125
<b>TOTAL</b>	<b>218,477</b>	<b>164</b>	<b>73,239</b>	<b>167</b>	<b>49,413</b>	<b>159</b>	<b>95,926</b>	<b>155</b>
<b>TRANSFER ACCOUNTS</b>								
NETS REPAIRS	15,270	27	10,743	47	6,541	21	3,227	16
CONS REC & COLL	23,527	40	17,664	44	11,554	37	24,404	19
UNCOLLECTABLE AC	83,726	63	69,725	170	13,266	43	1,737	3
<b>TOTAL</b>	<b>172,724</b>	<b>130</b>	<b>105,330</b>	<b>261</b>	<b>31,361</b>	<b>101</b>	<b>36,033</b>	<b>58</b>
<b>DEPRECIATION</b>								
PRODUCTION PLANT	441,504	331	134,975	335	123,649	390	182,920	296
DISTRIBUTION PLA	97,143	73	30,461	76	22,977	74	43,705	71
GENERAL PLANT	26,237	20	10,750	27	6,278	20	9,197	15
<b>TOTAL</b>	<b>564,884</b>	<b>424</b>	<b>176,186</b>	<b>437</b>	<b>152,904</b>	<b>492</b>	<b>235,824</b>	<b>382</b>

• X 10<sup>-2</sup>. For example: 785 = 7.85 cents.

05-V

ALASKA VILLAGE ELECTRIC COOPERATIVE

Rate Design Document

Analysis of the Revenue Requirement  
in \$/KWH by Class

*Residential*  
*Small power*  
*Large power (Suburban)*

	Total Village	Schedules		
		.R.	GS-1	GS-2
ALAKANUK	.493¢	.579	.509	.450
AMBLER	.440	.504	.469	.361
ANVIK	.491	.544	.597	.454
CHEVAK	.291	.308	.239	.198
EEK	.367	.430	.552	.319
ELIM	.280	.344	.303	.233
EMMONAK	.326	.359	.340	.291
GAMBELL	.288	.317	.296	.247
GOODNEWS BAY	.322	.369	.639	.282
GRAYLING	.389	.429	.551	.341
HOLY CROSS	.273	.312	.300	.242
HOOPER BAY	.210	.285	.199	.189
HUSLIA	.287	.300	.307	.263
UPPER & LOWER KALSKAG	.333	.358	.382	.298
KALTAG	.382	.424	.625	.384
KASIGLUK & NUNAPITCHUK	.269	.324	.381	.232
KIANA	.259	.312	.272	.238
KIVALINA	.449	.449	.458	.422
KOYUK	.454	.507	.725	.389
MARSHALL	.303	.347	.370	.264
MEKORYUK	.539	.562	.552	.500
MINTO	.399	.430	.422	.361
MOUNTAIN VILLAGE	.250	.318	.245	.221
NEW STUYAHOK	.361	.394	.490	.325
NOATAK	.347	.359	.388	.306
NOORVIK	.332	.383	.364	.294
NULATO	.345	.420	.328	.316
OLD HARBOR	.251	.259	.250	.223
PILOT STATION	.371	.391	.388	.330
QUINHAGAK	.323	.360	.411	.280
SAVOONGA	.372	.398	.378	.347
SCAMON BAY	.404	.475	.487	.334
SELAWIK	.313	.357	.317	.284
SHAGELUK	.254	.384	.359	.225
SHAKTOOLIK	.483	.481	.657	.434
SHISHMAREF	.374	.410	.389	.332
SHUGNAK	.553	.601	.612	.490
STEBBINS	.257	.303	.301	.221
ST. MARYS & PITKAS POINT	.431	.507	.436	.396
ST. MICHAEL	.751	.735	.807	.701
TOGIAK	.338	.346	.355	.318
TOOKSOOK BAY	.428	.463	.538	.384
TUNUNAK	.393	.444	.472	.766
WALES	.584	.615	.646	.525
WEIGHTED AVERAGE	.343	.398	.328	.299

REVENUE REQUIREMENT ANALYSIS (CONT)

TOTAL ALL VILLAGES

NORMALIZED DATA

	NORMALIZED EXPENSES	CTS/ KWH*	SCHEDULE A RESIDENTIAL	CTS/ KWH-SM	SCHEDULE B COMMERCIAL	CTS/ KWH*	SCHEDULE C LARGE POWER	CTS/ KWH*
<b>ADMINISTRATIVE &amp; GENERAL</b>								
CUSTOMER SERVICE	30,469	23	27,129	67	5,060	14	581	1
ADMIN & GEN S-LA	77,517	53	31,757	79	16,549	60	27,121	44
OUTSIDE SERVICES	24,225	22	12,170	35	6,812	22	10,297	17
PROPERTY & INJUR	107,163	82	44,015	111	26,113	44	36,255	62
EMPLOY BEN & PEN	106,107	117	64,163	159	37,146	119	54,796	69
REGULATORY COMM	3,985	3	1,252	7	938	3	1,795	3
MISC GENERAL	45,146	66	32,257	80	21,456	59	14,453	56
DIRECTOR & ADMIN	32,581	24	26,452	65	5,357	17	712	1
STAFF PRODUCTIONS	236	2	135	3	67	0	112	0
<b>TOTAL</b>	<b>527,964</b>	<b>396</b>	<b>238,094</b>	<b>590</b>	<b>121,526</b>	<b>391</b>	<b>168,234</b>	<b>272</b>
<b>TAXES</b>								
SALES RECEIPTS	64,056	52	26,226	70	16,157	52	24,685	40
ST-EMPLOYEE	39,221	29	11,985	30	10,985	35	16,251	26
<b>TOTAL</b>	<b>103,277</b>	<b>41</b>	<b>40,212</b>	<b>100</b>	<b>27,142</b>	<b>87</b>	<b>40,936</b>	<b>66</b>
<b>TOTAL EXPENSES</b>	<b>4,002,544</b>	<b>3304</b>	<b>1,390,009</b>	<b>3421</b>	<b>982,740</b>	<b>3160</b>	<b>1,639,795</b>	<b>2654</b>
<b>REVENUE REQUIREMENT</b>	<b>567,259</b>	<b>426</b>	<b>226,030</b>	<b>561</b>	<b>134,222</b>	<b>432</b>	<b>206,999</b>	<b>335</b>
<b>REVENUE REQ</b>	<b>4,569,803</b>	<b>3430</b>	<b>1,606,047</b>	<b>3982</b>	<b>1,116,962</b>	<b>3592</b>	<b>1,846,794</b>	<b>2989</b>

\* X 10-2. For example: 785 = 7.85 cents.

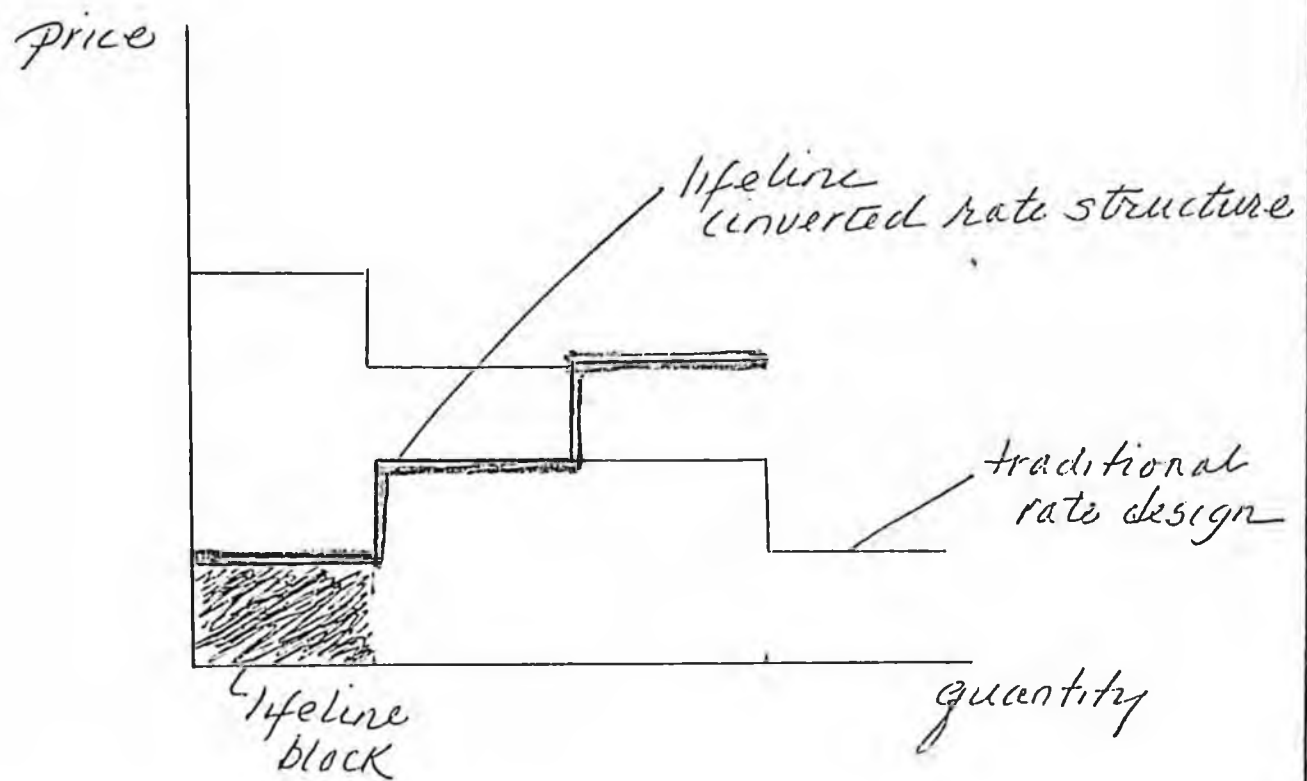
Residential Rates For Electricity In Effect January 1, 1978\*

	<u>Cents Per KWH</u>	<u>Surcharge**</u> <u>Cents Per KWH</u>
Anchorage - Municipality Chugach Electric	2.79 7	
Juneau - AEL & P Glacier Highway	5.8 10	.01
Bethel	<u>13.3</u>	1.6
Copper Valley (Valdez/Glennallen)	16	1.97
Golden Valley (Fairbanks) <i>MVS under 10¢</i>	10	
Homer Electric	9	
Kodiak	<u>16</u>	.69
MEA (Palmer)	9	1.7
Akiachuk	24	
Alaska Power & Telephone (Craig)	11	2.97
Aniak Power	13	2.89
Bettles Light & Power	24	.57
Ft. Yukon	25	3.24
Haines Light & Power	14.25	.0037
Kotzebue	26	.2678
Naknek	20	1.7
McGrath	13.5	4.51
Northern Power & Engineering (Cold Bay)	10	2.6
Nushagak	22	.697
Yakutat Power	11.8	.386

\*Only the charge for the first block of the rate design is included. Generally this is applicable for the first 50, 100 or 200 kwh. (Each utility has its individual block rate structure). The APUC residential consumer uses an average of 150 kwh per month.

\*\*A surcharge is allowed by the APUC when a utility has experienced frequent and unexpected changes in the cost of fuel.

A lifeline rate is a low base price for the minimum quantity of electricity, which a household requires for its basic needs, such as heating, lighting, and refrigeration. Lifeline is also intended to promote energy conservation by shifting costs to higher use residential, commercial, and industrial consumers.



DATE: April 27, 1978

*2  
page line*

To: John Sackett, Chairman  
Senate Finance Committee & Steve Cowper, Shairman  
Pouch V House Finance Committee  
Juneau, Alaska 99811 Pouch V  
Juneau, Alaska 99811

From: AVEC Electrical Consumers (of)  
Shishmaref, Alaska 99772

Subject: SUPPORT FOR PASSAGE OF SENATE BILLS #'s 592 & 593

We, the undersigned, would like to make known our full support for the passage of the above Senate Bills 592 and 593.

As you may be aware, we are now paying 37.5 cents per kilowatt-hour locally. This makes it difficult to meet all our expenses each month; especially where the newer housing electricity bills are now averaging about \$160.00 to \$180.00 per month. This makes it further hard when most of the families have no wage income.

We thank you for your and the Committee's (hopefully) favorable action toward the above Bills.

cc: Frank Ferguson  
State Senator  
Pouch V  
Juneau, Alaska 99811

*Mrs. Cyprien  
Flenna Snell  
Darlene Toctoo  
Jakie Mingoona  
Wilson Okpouwak Sr.  
Wilson Okpouwak Jr.  
Harvey Pootoogookuk  
Bertha Pootoogookuk  
Melvin Olanna  
Karen Olanna  
Georganna Ahgupuk  
Alvin Pootoogookuk Sr.  
Anna Pootoogookuk  
Harold Olanna  
Rebecca Olanna  
Nellie Eningswuk*

*Annie Bright  
Lucy Nayokpak  
Lillian A. Sebena  
Arbet Nayokpak  
Elizabeth Noyokpak  
Jonathan Weyanna  
Mideon H. Barr Sr.  
Eliot Olanna  
Emma Olanna  
George Olanna  
Grace Olanna  
Susie Kokeek  
Charley Okpouwak  
Muna Weyouan  
Sharon Nayokpak  
Norma L. Kokeek*

To: John Sackett, Chairman  
Senate Finance Committee  
Pouch V  
Juneau, Alaska 99811

From: AVEC Consumers (of)  
Shishmaref, Alaska 99772

~~Amie~~  
Amie Nayokput  
Annie Koonak  
Annis Kabona  
Mary Kakaona  
John W<sup>m</sup> Olicie  
Russell Nayokput  
Jatta Nayokput  
Mary Nayokput  
Martha Kiyutelluk  
Clayton Kiyutelluk  
Lillian Kiyutelluk  
Steen Kiyutelluk  
Daniel W. Olanna  
Alfred Olanna  
Irene Olanna  
Mildred Kuzuguk  
Rena Kuzuguk  
Edna Kuzuguk  
Frederick Tiltos  
Andrew Toektos  
Lucy Toektos  
Shetha Kookok  
Signa Kookok  
Verne Eutuk

Rose Eutuk  
Annos Kiyutelluk  
John Weyjoranna  
Aldith M. Weyjoranna  
John Novak  
Rachel Stasenko  
Loretta Sinnok  
Rich Stasenko  
Clara Kokeok  
Eauk Weyjoranna  
Aline Weyjoranna  
Stella Weyjoranna  
John Sinnok  
Minnie Sinnok  
Roderick Seetomona  
Ailla Seetomona  
Janie Goodhope  
Song Weyjoranna  
Stephen Weyjoranna  
Lara Weyjoranna  
Katherine Barr  
Union Barr  
Shuley Weyjoranna  
Lena Weyjoranna  
Angel Fernandez

Introduced: 4/18/78  
Referred: Commerce and  
Finance

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 SENATE BILL NO. 592

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing 'lifeline' electrical service to  
7 residential consumers of electrical energy; and pro-  
8 viding for an effective date."

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

10 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

11 (1) there exist many areas of the state where the citizens are  
12 burdened by exorbitant electrical energy costs; and

13 (2) electrical energy sufficient to supply the basic needs of  
14 living of all the people of the state should be made available at reasonable  
15 cost.

16 (b) It is the purpose of this Act to provide a basic necessary amount  
17 of electrical energy for residential consumer use at reduced costs and to  
18 establish reasonable energy price parity for electrical energy use throughout  
19 the state.

20 \* Sec. 2. AS 44.47.050 is amended by adding a new paragraph to read:

21 (19) administer the residential electrical energy lifeline  
22 rate fund.

23 \* Sec. 3. AS 44.47 is amended by adding new sections to read:

24 ARTICLE 8. RESIDENTIAL ELECTRICAL ENERGY LIFELINE RATE FUND.

25 Sec. 44.47.400. RESIDENTIAL ELECTRICAL ENERGY LIFELINE RATE FUND  
26 ESTABLISHED. There is created within the Department of Commerce and  
27 Economic Development the residential electrical energy lifeline rate  
28 fund. From legislative appropriations to the fund, the department shall  
29 pay grants to eligible public utilities providing electrical energy in

1 accordance with secs. 400 - 415 of this chapter.

2 Sec. 44.47.405. ELECTRICAL ENERGY GRANTS. Payments shall be made  
3 under secs. 400 - 415 of this chapter to defray the costs of electrical  
4 energy consumption for the lifeline energy usage block for residential  
5 customers of a utility if the rate allowed by the utility's tariff  
6 exceeds the lifeline electrical energy usage block rate. The payment  
7 due a utility shall be computed on an annualized basis and shall be  
8 determined by

9 (1) calculating the difference between the actual rate charged  
10 by the utility and the lifeline electrical energy usage block rate for  
11 residential customers;

12 (2) multiplying the amount determined under (1) of this  
13 section by the lifeline electrical energy usage block for residential  
14 customers;

15 (3) multiplying the amount determined under (2) of this  
16 section by the number of residential customer units receiving electrical  
17 energy from the utility.

18 Sec. 44.47.410. PROGRAM ADMINISTRATION. (a) Payments shall be  
19 made by the department directly to the utility. Payments shall be made  
20 to a utility not less often than once each calendar quarter.

21 (b) No payment of any portion of the proceeds of the fund may be  
22 made by the commissioner unless

23 (1) there is on file with the department a written certifica-  
24 tion of the commission that a utility providing electrical energy for  
25 which a grant payment may be made under secs. 400 - 415 of this chapter

26 (A) is subject to regulation by the commission under AS  
27 42.05; or

28 (B) if the utility is an electrical utility exempt from  
29 regulation under AS 42.05.711, the utility has petitioned for

1 regulation of the rate which it charges to its customers, and the  
2 petition for regulation of the rate has been accepted and acted  
3 upon by the commission; and

4 (2) the commissioner is satisfied that, unless specifically  
5 authorized on a temporary basis by the commission under AS 42.05.411(d),  
6 the monthly rate paid for the initial 300 kilowatthours per month by a  
7 residential customer of a utility to which a grant payment is to be made  
8 does not exceed the lifeline electrical energy usage block rate de-  
9 termined under sec. 415(4) of this chapter for the lifeline electrical  
10 energy usage block, as that rate may have been adjusted by the commis-  
11 sion.

12 (c) Annually, before January 31, the commissioner shall determine  
13 and advise the governor and the legislature of his estimate of the sum  
14 required to provide funds sufficient to make full payment of grants from  
15 the fund to all qualifying utilities under sec. 405 of this chapter.

16 (d) If amounts appropriated to the grant fund are insufficient to  
17 meet the full payment due each utility under sec. 405 of this chapter,  
18 the amount available in the fund shall be distributed pro rata among  
19 eligible utilities. If proration of payment is required, the commis-  
20 sioner shall immediately notify the chairman of the commission and all  
21 qualified utilities.

22 (e) The department may adopt regulations to carry out the purposes  
23 of secs. 400 - 415 of this chapter.

24 Sec. 44.47.415. DEFINITIONS. In secs. 400 - 415 of this chapter

25 (1) "commission" means the Alaska Public Utilities Commis-  
26 sion;

27 (2) "commissioner" means the commissioner of the Department  
28 of Commerce and Economic Development;

29 (3) "department" means the Department of Commerce and

1 Economic Development;

2 (4) "lifeline electrical energy usage block" means the  
3 initial amount of energy for residential customers of a utility pro-  
4 viding electrical energy and equals 300 kilowatt-hours per month per  
5 residential customer unit;

6 (5) "lifeline electrical energy usage block rate" means the  
7 statewide standard rate for the lifeline electrical energy usage block  
8 which, unless adjusted by the commission, is 10 cents per kilowatt-hour.

9 \* Sec. 4. AS 42.05.141 is amended by adding a new subsection to read:

10 (b) The Alaska Public Utility Commission shall

11 (1) adopt regulations by which a public utility furnishing  
12 electrical services which is exempt from the provisions of this chapter,  
13 or its customers, may voluntarily submit to regulation of the utility's  
14 rates and accounting practices under secs. 361 - 501 of this chapter for  
15 the purpose of gaining the benefits of a residential electrical energy  
16 grant for its residential customers;

17 (2) not later than January 15 annually, on the basis of local  
18 rate experience during the preceding calendar year, annually determine a  
19 rate increment differential applicable to the lifeline electrical energy  
20 usage block rate under AS 44.47.415(5), and report the differential  
21 determined to the commissioner of the Department of Commerce and Eco-  
22 nomic Development for use in administration of the residential electri-  
23 cal energy lifeline rate fund during that calendar year.

24 \* Sec. 5. AS 42.05.391(d) is amended to read:

25 (d) Nothing in this section prevents a public utility from charg-  
26 ing reduced rates

27 (1) to customers transferred to it from a competing utility  
28 providing the reduction is an integral part of a contract, arrangement  
29 or plan to eliminate the overlapping of service areas or to minimize

1 duplication of facilities and competition between public utilities;  
2 (2) to residential customers of a public utility which is  
3 providing electrical energy, if the reduction is authorized by the  
4 commission to qualify customers of the utility for the benefits of the  
5 residential electrical energy grant and the reduced rate charged is not  
6 less than the amount provided to the utility by way of a grant from the  
7 residential electrical energy lifeline rate fund.

8 \* Sec. 6. AS 42.05.411 is amended by adding a new subsection to read:

9 (d) To preclude loss of revenues by a utility supplying electrical  
10 services in the event proration of the proceeds of the residential  
11 electrical energy lifeline rate fund becomes necessary under AS 44.47.-  
12 410(d), the commission, upon its own motion, after receipt of notice  
13 required to be furnished by the commissioner of the Department of  
14 Commerce and Economic Development, may order the revision of a tariff  
15 for a temporary period to restore a portion of the rate of return to the  
16 utility not covered by the grant fund payment.

17 \* Sec. 7. This Act takes effect July 1, 1978.  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

A M E N D M E N T

Offered in the SENATE

By Senate Finance

To: CS SENATE BILL NO. 592

                     HOUSE BILL NO.                     

AMENDMENT: Page            Line           

Page 2, Lines 25 and 26

Delete - "Unless specifically authorized on a temporary basis by the commission under AS 42.05.411(d),"

Page 3, Lines 1, 17, 18, and 19

Line 1,

Change "sec. 99(4)" to read "sec. 99(5)

Line 17,

Insert a period after the word "tariff".

Lines 18 and 19

Delete - "which is sufficient to yield the rate of return to the utility contemplated in the effective tariff."

Page 4, Line 17

Change the word "commissioner" to "commission"

Page 5, Line 3

Delete the period following October 1, 1978, and insert the following:

", and terminates on June 30, 1980."

*Did not use. Had new CS (Fin) drafted instead*

A M E N D M E N T

Offered in the SENATE

By \_\_\_\_\_

To: \_\_\_\_\_ SENATE BILL NO. \_\_\_\_\_

\_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

AMENDMENT: Page \_\_\_\_\_ Line \_\_\_\_\_

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 937 + SB592  
 Title An Act providing lifeline electrical service to residential consumers  
 Requested by \_\_\_\_\_ Date 5-4-78

II. FISCAL DETAIL  
 Agency Affected Commerce and Economic Development  
 Program Category Affected Public protection and Development  
 Budget Request Unit(s) Affected Alaska Public Utilities Commission and Energy and Power Development

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		160.4	170.0	180.2	191.0	202.5
200 TRAVEL		20.0	21.2	22.5	23.8	25.2
300 CONTRACTUAL		86.8	92.0	97.5	103.3	109.5
400 COMMODITIES		4.0	4.2	4.5	4.8	5.1
500 EQUIPMENT		8.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		<b>278.3</b>	<b>287.4</b>	<b>304.7</b>	<b>322.9</b>	<b>342.3</b>

FUNDING (Thousands of Dollars)

GENERAL FUND		278.3	287.4	304.7	322.9	342.3
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		5	5	5	5	5
PART TIME						
TEMPORARY		3	3	3	3	3

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

Personal Services	Alaska Public Utilities Commission	Energy & Power Development
Accountant IV (2156/mo)		32,469
Clerk Typist III (1092/mo)		16,456
2 Utility Financial Analysts (2156/mo)	64,939	
Utility Engineer (1861/mo)	28,027	
2 Accounting Tech II (1606/mo)Temp. 4 mo.		13,792
Accounting Clerk I (1092/mo) Temp. 4 mo.		4,689
<b>Total Personal Services</b>	<u>92,966</u>	<u>67,406</u>

IV. DATE May 5, 1978 PREPARED BY Caroleyn J. Guss - APUC  
 AGENCY Commerce and Economic Development  
 PHONE 465-2505  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

*Caroleyn J. Guss - APUC*  
*Thomas M. Pughan - Dir of Energy & Power Dev.*

Travel	10,000	10,000
Contractual		
Office Space 400 sf.	6,480	6,480
Computer Services	-0-	20,000
Typewriter Lease	-0-	1,800
Communications		
Xerox & Printing	3,500	3,500
Professional Fees & Services	-0-	25,000
Computer Services	-0-	20,000
Total Contractual Services	<u>9,980</u>	<u>76,780</u>
Commodities	1,000	3,000
Equipment		
\$900/employee	2,700	4,500
Typewriter		<u>800</u>
		5,300
Desk	300 )	
Chair	150 ) \$900	
File	400 )	
Misc.	50 )	

ASSUMPTIONS USED IN PREPARATION OF FISCAL NOTE

1. 21 presently regulated utilities serving 74 communities will be immediately eligible for the program. Eight more certificated, but not regulated utilities would become eligible within the first year.
2. \$ 3 1/2 to \$ 4 million will be paid to the utilities during the first year offsetting the costs to approximately 19,000 consumers based on 300 kwh/month and 10¢/kwh lifeline rate.
3. An additional 25 to 30 utilities with 2,000 to 3,000 consumers within two years will qualify and participate in the program.
4. The state's six largest utilities - Chugach Electric Association, Anchorage Municipal Light and Power, Golden Valley Electric Association, Matanuska Electric Association - Palmer, Alaska Electric Light and Power, and Fairbanks Municipal Electric - will not be eligible for the program.
5. The program will level out at about <sup>25</sup>18,000 consumers with costs between \$ 4 to \$ 5 million per year not including the expected inflation factor.
6. If the lifeline rate would remain at 10¢/kwh, an additional 17,500 consumers would become eligible within two or three years increasing the grant funds required approximately \$ 800,000 to \$ 1 million per year.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
Bill/Resolution No. HB 937 SB 592  
Title An Act providing lifeline electrical service to residential consumers  
Requested by \_\_\_\_\_ Date 5-4-78

II. FISCAL DETAIL  
Agency Affected Commerce and Economic Development  
Program Category Affected Public protection and Development  
Budget Request Unit(s) Affected Alaska Public Utilities Commission and Energy and Power Development

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		160.4	170.0	180.2	191.0	202.5
200 TRAVEL		20.0	21.2	22.5	23.8	25.2
300 CONTRACTUAL		86.8	92.0	97.5	103.3	109.5
400 COMMODITIES		4.0	4.2	4.5	4.8	
500 EQUIPMENT		8.0	-0-	-0-	-0-	
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		<b>278.3</b>	<b>287.4</b>	<b>304.7</b>	<b>322.9</b>	<b>342.3</b>

FUNDING (Thousands of Dollars)

GENERAL FUND		278.3	287.4	304.7	322.9	342.3
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		5	5	5	5	5
PART TIME						
TEMPORARY		3	3	3	3	3

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

Personal Services	Alaska Public Utilities Commission	Energy & Power Development
Accountant IV (2156/mo)		32,469
Clerk Typist III (1092/mo)		16,456
2 Utility Financial Analysts (2156/mo)	64,939	
Utility Engineer (1861/mo)	28,027	
2 Accounting Tech II (1606/mo) Temp. 4 mo.		13,792
Accounting Clerk I (1092/mo) Temp. 4 mo.		4,689
<b>Total Personal Services</b>	<b>92,966</b>	<b>67,406</b>

IV. DATE May 5, 1978 PREPARED BY Caroleen S. Deuss - APUC  
AGENCY Commerce and Economic Development  
PHONE 465-2505  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Travel	10,000	10,000
Contractual		
Office Space 400 sf.	6,480	6,480
Computer Services	-0-	20,000
Typewriter Lease	-0-	1,800
Communications		
Xerox & Printing	3,500	3,500
Professional Fees & Services	-0-	25,000
Computer Services	-0-	20,000
Total Contractual Services	<u>9,980</u>	<u>76,780</u>
Commodities	1,000	3,000
Equipment		
\$900/employee	2,700	4,500
Typewriter		<u>800</u>
		5,300
Desk	300 )	
Chair	150 ) \$900	
File	400 )	
Misc.	50 )	

ASSUMPTIONS USED IN PREPARATION OF FISCAL NOTE

1. 21 presently regulated utilities serving 74 communities will be immediately eligible for the program. Eight more certificated, but not regulated utilities would become eligible within the first year.
2. \$ 3 1/2 to \$ 4 million will be paid to the utilities during the first year offsetting the costs to approximately 19,000 consumers based on 300 kwh/month and 10¢/kwh lifeline rate.
3. An additional 25 to 30 utilities with 2,000 to 3,000 consumers within two years will qualify and participate in the program.
4. The state's six largest utilities - Chugach Electric Association, Anchorage Municipal Light and Power, Golden Valley Electric Association, Matanuska Electric Association - Palmer, Alaska Electric Light and Power, and Fairbanks Municipal Electric - will not be eligible for the program.
5. <sup>25,000</sup> The program will level out at about 15,000 consumers with costs between \$ 4 to \$ 5 million per year not including the expected inflation factor. ✓
6. If the lifeline rate would remain at 10¢/kwh, an additional 17,500 consumers would become eligible within two or three years increasing the grant funds required approximately \$ 800,000 to \$ 1 million per year. ✓

COMPANION BILL ATTACHED

Introduced: 4/18/78  
Referred: Commerce and  
Finance

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2

SENATE BILL NO. 593

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the residen-  
7 tial electrical energy lifeline rate fund; and pro-  
8 viding for an effective date."

9

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

10

\* Section 1. The sum of \$5,400,000 is appropriated from the general fund  
11 to the residential electrical energy lifeline rate fund administered by the  
12 Department of Commerce and Economic Development.

13

\* Sec. 2. The sum appropriated in this Act may be used by the Department  
14 of Commerce and Economic Development for payment of a residential electrical  
15 energy grant for use of electricity by customers of a qualifying utility  
16 after July 1, 1978.

17

\* Sec. 3. This Act takes effect upon the effective date of a version of  
18 an Act entitled "An Act providing 'lifeline' electrical service to residen-  
19 tial consumers of electrical energy", which creates the residential electrical  
20 energy lifeline rate fund.

21

22

23

24

25

26

27

28

29

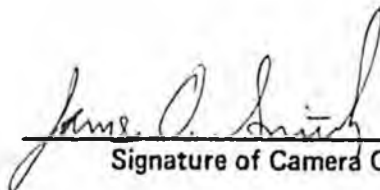
#

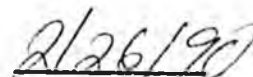


# RECORDS CERTIFICATION



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

  
\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

SFC file

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

Rec'd 6/18/78  
OW

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCSSB 592  
Title An Act Relating to Utilities  
Requested by Commerce Date 6/16/78

II. FISCAL DETAIL

Agency Affected Dept. of Law and Dept. of Commerce and Economic Development  
Program Category Affected \_\_\_\_\_  
Budget Request Unit(s) Affected Alaska Public Utilities Commission, Energy and Power Development, and Legal Services

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES	224.9	238.3	252.6	267.8	283.9	
200 TRAVEL	26.5	28.1	29.8	31.6	33.4	
300 CONTRACTUAL	161.1	170.7	178.5	189.1	200.4	
400 COMMODITIES	7.9	5.2	5.6	6.0	6.4	
500 EQUIPMENT	12.0	-0-	-0-	-0-	-0-	
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	432.4	442.3	466.5	494.5	524.1	

FUNDING (Thousands of Dollars)

GENERAL FUND	432.4	442.3	466.5	494.5	524.1	
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	7	7	7	7	7	
PART TIME						
TEMPORARY	3	3	3	3	3	

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

\* Breakdown of fiscal impact by section:

Secs. 2 - 4; FY 79 278.3; FY 80 287.4 FY 81 304.7; FY 82 322.9  
FY 83 342.3.

Secs. 5 - 7: FY 79 153.2; FY 80 154.9 FY 81 161.8: FY 82, 171.6  
FY 83, 181.8

\* This fiscal note is a combination of the fiscal note prepared by Carolyn Guess of the APUC and Clarissa Quinlan - Div of Energy and Power for HB 937, and the fiscal note for CSHB 399 prepared by H. Finance

IV. DATE June 16, 1978 PREPARED BY House Commerce  
AGENCY \_\_\_\_\_

Original: Legislative Finance PHONE 465-3889  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Detail Breakdown for Secs. 2-4

<u>Personal Services</u>	<u>APUC</u>	<u>ENERGY AND POWER</u>
Accountant 1V (2156)/mo.)		\$32,469
Clerk Typist 111 (1092/mo.)		\$16,456
2 Utility Financial Analysts (2156/mo.)	\$64,939	
Utility Engineer (1861/mo.)	\$28,027	
2 Accounting Tech 11 (1606/mo)		
Temp. 4 mo.		\$13,792
Accounting Clerk 1 (1092/mo.)		
Temp. 4 mo.		4,689
total	92,966	\$67,406
<u>Travel</u>		
total	10,000	10,000
<u>Contractual</u>		
Office Space	6,480	6,480
Computer Services	-0-	20,000
Typewriter	-0-	1,800
<u>Communications</u>		
Xerox & Printing	3,500	3,500
<u>Professional Fees &amp; Services</u>	-0-	25,000
<u>Computer Services</u>	-0-	20,000
total	9,980	76,780
<u>Commodities</u>	1,000	3,000
<u>Equipment</u>	2,700	5,300
Total	\$116,646	\$162,486

Detail Breakdown for Secs. 5-7

Personell

Attorney	\$47,605
*Tariff Specialist	(\$35,481)
Legal Secretary	<u>\$16,867</u>
sub-total	\$64,472

Travel

*3 staff	\$ 8,150
less Tariff Specialist	<u>(\$ 1,625)</u>
sub-total	\$ 6,525

Contractual

*Communication & Postage (400/mo.)	\$ 1,700
Duplicating 300/mo.	\$ 3,600
*Rent	\$ 5,000
Typewriter	\$ 2,800
*Professional Fees (1,000 x \$70) reduced to 1,000 x \$50	\$50,000
Expert Travel	<u>\$ 6,225</u>
sub-total	\$69,325

Commodities

Professional Supplies	\$ 500
law tariff library	\$ 3,500
*Office Supplies	<u>\$ 500</u>
sub-total	\$ 4,500

Equipment

sub-total	\$ 3,967
Total	\$150,000 rounded

\* Revised by House Finance: See House Journal Supplement No. 65  
May 17, 1977

# COMMITTEE REPORT

## HOUSE

6/17/78

FURTHER: \_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Mr. Speaker:

The Committee on FINANCE has had CSSB 592  
"An Act providing 'lifeline' electric service to residential consumers of  
electric energy; eff. date"

under consideration and (a majority of the committee) (the committee  
reports it back as follows)

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 \_\_\_\_\_  new title                       same title

AND attaches a Letter of Intent                       New Fiscal Note

reports it back without recommendation

and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Chairman

COMMITTEE REPORT

HOUSE

5/31/78

FURTHER: FINANCE

Date: June 16, 1978

Mr. Speaker:

The Committee on COMMERCE has had CSSB 592  
"An Act providing 'lifeline' electric service to residential consumers  
of electric energy; eff. date."

under consideration and (a majority of the committee) (~~the committee~~  
~~reports it back as follows~~)

( ) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

(X) recommends it be replaced with <sup>CS</sup> for SB 592

and reports it back w/o rec. (X) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

(X) reports it back without recommendation

( ) and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

J. P. Bradley - Doherty - if not amended  
Joe McKinnon  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Charles H. Gray - No Rec.  
Joe McKinnon - No Rec.  
Joe Brown - No Rec.  
Joe McKinnon - No Rec.  
\_\_\_\_\_  
\_\_\_\_\_

Joe McKinnon  
Chairman

5136  
Guthrie

Original sponsor: State Affairs Committee

Offered: 6/17/78  
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 592

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to utilities; and providing for an  
7 effective date."

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

9 \* Section 1. AS 42.05.711(d) is amended to read:

10 (d) The commission, on a finding that no legitimate public in-  
11 terest will be served, may exempt a utility from all or any portion of  
12 this chapter. The commission may waive regulations adopted by it in  
13 whole or in part, upon application or its own motion, if necessary to  
14 establish fair and reasonable rates.

15 \* Sec. 2. AS 44.33.040 is amended by adding a new paragraph to read:

16 (12) administer the residential electric energy fund.

17 \* Sec. 3. AS 44.33 is amended by adding new sections to read:

18 ARTICLE 2A. RESIDENTIAL ELECTRIC ENERGY FUND.

19 Sec. 44.33.080. RESIDENTIAL ELECTRIC ENERGY FUND CREATED. There  
20 is created within the section of power development of the Department of  
21 Commerce and Economic Development the residential electric energy fund.  
22 From legislative appropriations to the fund, the department shall pay  
23 grants to eligible public utilities providing electric energy in accor-  
24 dance with secs. 80 - 99 of this chapter.

25 Sec. 44.33.085. ELECTRIC ENERGY GRANTS. Payments shall be made  
26 under secs. 80 - 99 of this chapter to defray the costs of electric  
27 energy consumption for the electric energy usage block for residential  
28 customers of a utility if the rate allowed by the utility's tariff  
29 exceeds the electric energy usage block rate. The payment due a utility

COMMITTEE COPY

1 shall be determined by

2 (1) calculating the difference between the actual rate  
3 charged by the utility and the electric energy usage block rate for a  
4 residential customer;

5 (2) multiplying the amount determined under (1) of this  
6 section by the amount of electric energy consumed within the electric  
7 energy usage block by each residential customer;

8 (3) summing the amounts determined under (2) of this section  
9 for all residential customers served.

10 Sec. 44.33.090. PROGRAM ADMINISTRATION. (a) Payments shall be  
11 made by the department directly to the utility. Payments shall be made  
12 to a utility not less often than monthly.

13 (b) No payment of any portion of the proceeds of the fund may be  
14 made by the commissioner unless

15 (1) there is on file with the department a written certifica-  
16 tion of the commission that a utility providing electric energy for  
17 which a grant payment may be made under secs. 89 - 99 of this chapter is  
18 subject to regulation by the commission under AS 42.05; and

19 (2) the commissioner is satisfied that the monthly rate paid  
20 for the initial 300 kilowatt-hours per month by a residential customer  
21 of a utility to which a grant payment is to be made exceeds the electric  
22 energy usage block rate determined under sec. 99(5) of this chapter for  
23 the electric energy usage block.

24 (c) Annually, before January 31, the commissioner shall determine  
25 and advise the governor and the legislature of his estimate of the sum  
26 required to provide funds sufficient to make full payment of grants from  
27 the fund to all qualifying utilities under sec. 85 of this chapter.

28 (d) If amounts appropriated to the grant fund are insufficient to  
29 meet the full payment due each utility under sec. 85 of this chapter,

1 the amount available in the fund shall be distributed pro rata among  
2 eligible utilities. If proration of payment is required, the commis-  
3 sioner shall immediately notify the chairman of the commission and all  
4 qualified utilities. When a utility receives notice from the commis-  
5 sioner that proration of payment is required under this section, the  
6 utility after providing written notice to each affected customer of the  
7 reason for the change in the charge for residential service, may require  
8 residential users to pay an increased portion of the cost of residential  
9 service, not to exceed the rate allowed under the effective tariff.

10 (e) The department may adopt regulations to carry out the purposes  
11 of secs. 80 - 99 of this chapter.

12 Sec. 44.33.099. DEFINITIONS. In secs. 80 - 99 of this chapter

13 (1) "commission" means the Alaska Public Utilities Commis-  
14 sion;

15 (2) "commissioner" means the commissioner of the Department  
16 of Commerce and Economic Development;

17 (3) "department" means the Department of Commerce and Eco-  
18 nomic Development;

19 (4) "electric energy usage block" means the initial amount of  
20 energy for residential customers of a utility providing electric energy  
21 and is limited to 300 kilowatt-hours per month per residential customer  
22 unit;

23 (5) "electric energy usage block rate" means the statewide  
24 standard rate for the electric energy usage block and is 10 cents per  
25 kilowatt hour.

26 \* Sec. 4. AS 42.05.391(d) is amended to read:

27 (d) Nothing in this section prevents a public utility from charg-  
28 ing reduced rates

29 (1) to customers transferred to it from a competing utility

1 providing the reduction is an integral part of a contract, arrangement  
2 or plan to eliminate the overlapping of service areas or to minimize  
3 duplication of facilities and competition between public utilities;

4 (2) to residential customers of a public utility which is  
5 providing electric energy, if the reduction is authorized by the commis-  
6 sion to qualify customers of the utility for the benefits of the resi-  
7 dential electric energy grant and the reduced rate charged is not less  
8 than the amount provided to the utility by way of a grant from the  
9 residential electric energy rate fund.

10 \* Sec. 5. LEGISLATIVE INTENT. The legislature determines that the public  
11 interest requires and demands the regulation of public utilities and will be  
12 better served by consumer representation before utility regulatory agencies,  
13 outside of and apart from the representation already provided by the Alaska  
14 Public Utilities Commission and its staff. Therefore, the legislature con-  
15 cludes that it is in the public interest that a public utility consumer  
16 counsel be established to represent the interests of consumers before utility  
17 regulatory agencies.

18 \* Sec. 5. AS 44.23 is amended by adding new sections to read:

19 Sec. 44.23.070. PUBLIC UTILITY CONSUMER COUNSEL. (a) Within the  
20 Department of Law is the office of the public utility consumer counsel.

21 (b) The office of the public utility consumer counsel consists of  
22 at least one assistant attorney general appointed by the attorney  
23 general who is admitted to the practice of law in the state, and is  
24 familiar with public utility regulation and practice before public  
25 utility regulatory commissions.

26 (c) The Department of Law shall set out separately the expenses of  
27 the office of the public utility consumer counsel as an independent  
28 sub-program or element of the Department of Law budget, which shall be  
29 submitted by the governor in accordance with the Executive Budget Act

1 (AS 37.07) as part of his annual budget presentation to the legislature.  
2 The funds budgeted shall include sufficient allowances for expert wit-  
3 ness fees and other costs of participating in regulatory proceedings to  
4 allow the office to operate effectively in representing the consumer of  
5 services of a public utility.

6 (d) The public utility consumer counsel may

7 (1) intervene as a party or otherwise participate in a hear-  
8 ing or other procedure before a utility regulatory agency for the pur-  
9 pose of representing the interest of utility consumers in the proceeding  
10 whenever he determines that the result of a proceeding may substantially  
11 affect the interests of utility consumers;

12 (2) maintain actions for judicial review of utility regula-  
13 tory agency decisions and may intervene or otherwise participate in  
14 civil proceedings involving review or enforcement of agency action which  
15 he determines may substantially affect the interests of consumers;

16 (3) select and contract for the services of technically  
17 qualified persons in the area of public utility matters to assist him in  
18 the preparation and presentation of matters before regulatory agencies  
19 and the courts.

20 (e) The public utility consumer counsel shall submit to the  
21 legislature an annual report of the activities of his office. The  
22 report shall be submitted on or before the first day of the legislative  
23 session.

24 \* Sec. 7. AS 42.05.111 is amended to read:

25 Sec. 42.05.111. LEGAL COUNSEL. (a) The commission shall employ  
26 [ATTORNEY GENERAL IS] legal counsel who [FOR THE COMMISSION. HE] shall  
27 advise the commission in legal matters arising in the discharge of its  
28 duties and, notwithstanding AS 44.23.020, represent the commission in  
29 actions to which it is a party. If, in the opinion of the commission,

1 the public interest is not adequately represented by counsel in a pro-  
2 ceeding, the commission's counsel [ATTORNEY GENERAL], upon request of  
3 the commission, shall represent the public interest.

4 (b) The commission may employ temporary legal counsel from time to  
5 time in proceedings before the commission in which its own counsel [THE  
6 ATTORNEY GENERAL] is representing the public interest or a party before  
7 the commission.

8 \* Sec. 8. Sections 2 - 4 of this Act take effect October 1, 1978 and  
9 terminate June 30, 1980.

10 \* Sec. 9 Sections 1, 5 - 7 of this Act take effect July 1, 1973.

Original sponsor: State Affairs Committee

Offered: 5/11/76  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 592

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing 'lifeline' electric service to resi-  
7 dential consumers of electric energy; and providing for  
8 an effective date."

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

10 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

11 (1) there exist many areas of the state where the citizens are  
12 burdened by exorbitant electric energy costs; and

13 (2) electric energy sufficient to supply the basic needs of living  
14 of all the people of the state should be made available at reasonable cost.

15 (b) It is the purpose of this Act to provide a basic necessary amount  
16 of electric energy for residential consumer use at reduced costs and to  
17 establish reasonable energy price parity for electric energy use throughout  
18 the state.

19 \* Sec. 2. AS 44.33.040 is amended by adding a new paragraph to read:

20 (12) administer the residential electric energy lifeline rate  
21 fund.

22 \* Sec. 3. AS 44.33 is amended by adding new sections to read:

23 ARTICLE 2A. RESIDENTIAL ELECTRIC ENERGY LIFELINE RATE FUND.

24 Sec. 44.33.080. RESIDENTIAL ELECTRIC ENERGY LIFELINE RATE FUND  
25 CREATED. There is created within the section of power development of  
26 the Department of Commerce and Economic Development the residential  
27 electric energy lifeline rate fund. From legislative appropriations to  
28 the fund, the department shall pay grants to eligible public utilities  
29 providing electric energy in accordance with secs. 80 - 99 of this

COMMITTEE COPY

1 chapter.

2 Sec. 44.33.085. ELECTRIC ENERGY GRANTS. Payments shall be made  
3 under secs. 80 - 99 of this chapter to defray the costs of electric  
4 energy consumption for the lifeline energy usage block for residential  
5 customers of a utility if the rate allowed by the utility's tariff  
6 exceeds the lifeline electric energy usage block rate. The payment due  
7 a utility shall be determined by

8 (1) calculating the difference between the actual rate  
9 charged by the utility and the lifeline electric energy usage block rate  
10 for a residential customer;

11 (2) multiplying the amount determined under (1) of this  
12 section by the amount of electric energy consumed within the lifeline  
13 electric energy usage block by each residential customer;

14 (3) summing the amounts determined under (2) of this section  
15 for all residential customers served.

16 Sec. 44.33.090. PROGRAM ADMINISTRATION. (a) Payments shall be  
17 made by the department directly to the utility. Payments shall be made  
18 to a utility not less often than monthly.

19 (b) No payment of any portion of the proceeds of the fund may be  
20 made by the commissioner unless

21 (1) there is on file with the department a written certifica-  
22 tion of the commission that a utility providing electric energy for  
23 which a grant payment may be made under secs. 80 - 99 of this chapter is  
24 subject to regulation by the commission under AS 42.05; and

25 (2) the commissioner is satisfied that the monthly rate paid  
26 for the initial 300 kilowatt-hours per month by a residential customer  
27 of a utility to which a grant payment is to be made exceeds the lifeline  
28 electric energy usage block rate determined under sec. 99(5) of this  
29 chapter for the lifeline electric energy usage block, as that rate may

1 have been adjusted by the commission.

2 (c) Annually, before January 31, the commissioner shall determine  
3 and advise the governor and the legislature of his estimate of the sum  
4 required to provide funds sufficient to make full payment of grants from  
5 the fund to all qualifying utilities under sec. 85 of this chapter.

6 (d) If amounts appropriated to the grant fund are insufficient to  
7 meet the full payment due each utility under sec. 85 of this chapter,  
8 the amount available in the fund shall be distributed pro rata among  
9 eligible utilities. If proration of payment is required, the commis-  
10 sioner shall immediately notify the chairman of the commission and all  
11 qualified utilities. When a utility receives notice from the commis-  
12 sioner that proration of payment is required under this section, the  
13 utility, after providing written notice to each affected customer of the  
14 reason for the change in the charge for residential service, may require  
15 residential users to pay an increased portion of the cost of residential  
16 service, not to exceed the rate allowed under the effective tariff.

17 (e) The department may adopt regulations to carry out the purposes  
18 of secs. 80 - 99 of this chapter.

19 Sec. 44.33.099. DEFINITIONS. In secs. 80 - 99 of this chapter

20 (1) "commission" means the Alaska Public Utilities Commis-  
21 sion;

22 (2) "commissioner" means the commissioner of the Department  
23 of Commerce and Economic Development;

24 (3) "department" means the Department of Commerce and Eco-  
25 nomic Development;

26 (4) "lifeline electric energy usage block" means the initial  
27 amount of energy for residential customers of a utility providing elec-  
28 tric energy and is limited to 300 kilowatt-hours per month per residen-  
29 tial customer unit;

1 (5) "lifeline electric energy usage block rate" means the  
2 statewide standard rate for the lifeline electric energy usage block  
3 which, unless adjusted by the commission, is 10 cents per kilowatt-hour.

4 \* Sec. 4. AS 42.05.141 is amended by adding a new subsection to read:

5 (b) The Alaska Public Utility Commission shall, not later than  
6 January 15 annually, on the basis of the local rate experience of utili-  
7 ties participating in the lifeline rate grant program during the pre-  
8 ceding calendar year, annually determine a rate increment differential  
9 applicable to the lifeline electric energy usage block rate under AS  
10 44.33.099(5), and report the differential determined to the commissioner  
11 of the Department of Commerce and Economic Development for use in ad-  
12 ministration of the residential electric energy lifeline rate fund  
13 during that calendar year. In determining a rate increment differential  
14 under this subsection, the commission shall take into account all fuel  
15 surcharges.

16 \* Sec. 5. AS 42.05.391(d) is amended to read:

17 (d) Nothing in this section prevents a public utility from charg-  
18 ing reduced rates

19 (1) to customers transferred to it from a competing utility  
20 providing the reduction is an integral part of a contract, arrangement  
21 or plan to eliminate the overlapping of service areas or to minimize  
22 duplication of facilities and competition between public utilities;

23 (2) to residential customers of a public utility which is  
24 providing electric energy, if the reduction is authorized by the commis-  
25 sion to qualify customers of the utility for the benefits of the resi-  
26 dential electric energy grant and the reduced rate charged is not less  
27 than the amount provided to the utility by way of a grant from the  
28 residential electric energy lifeline rate fund.

29 \* Sec. 6. This Act takes effect October 1, 1978, and terminates on