

**ALASKA LEGISLATURE**

**1270**

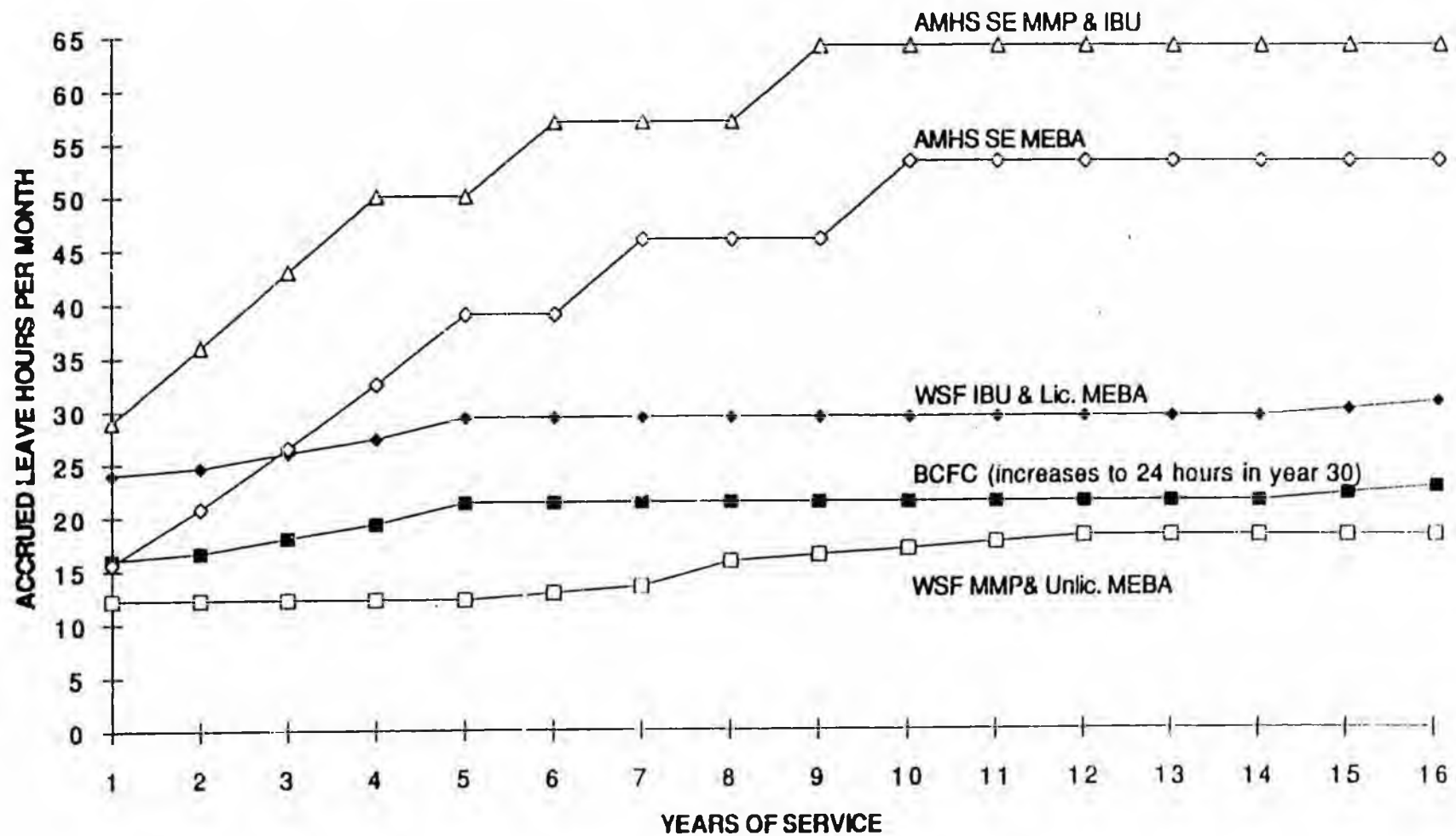
**HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996**

### Total Accrued Leave

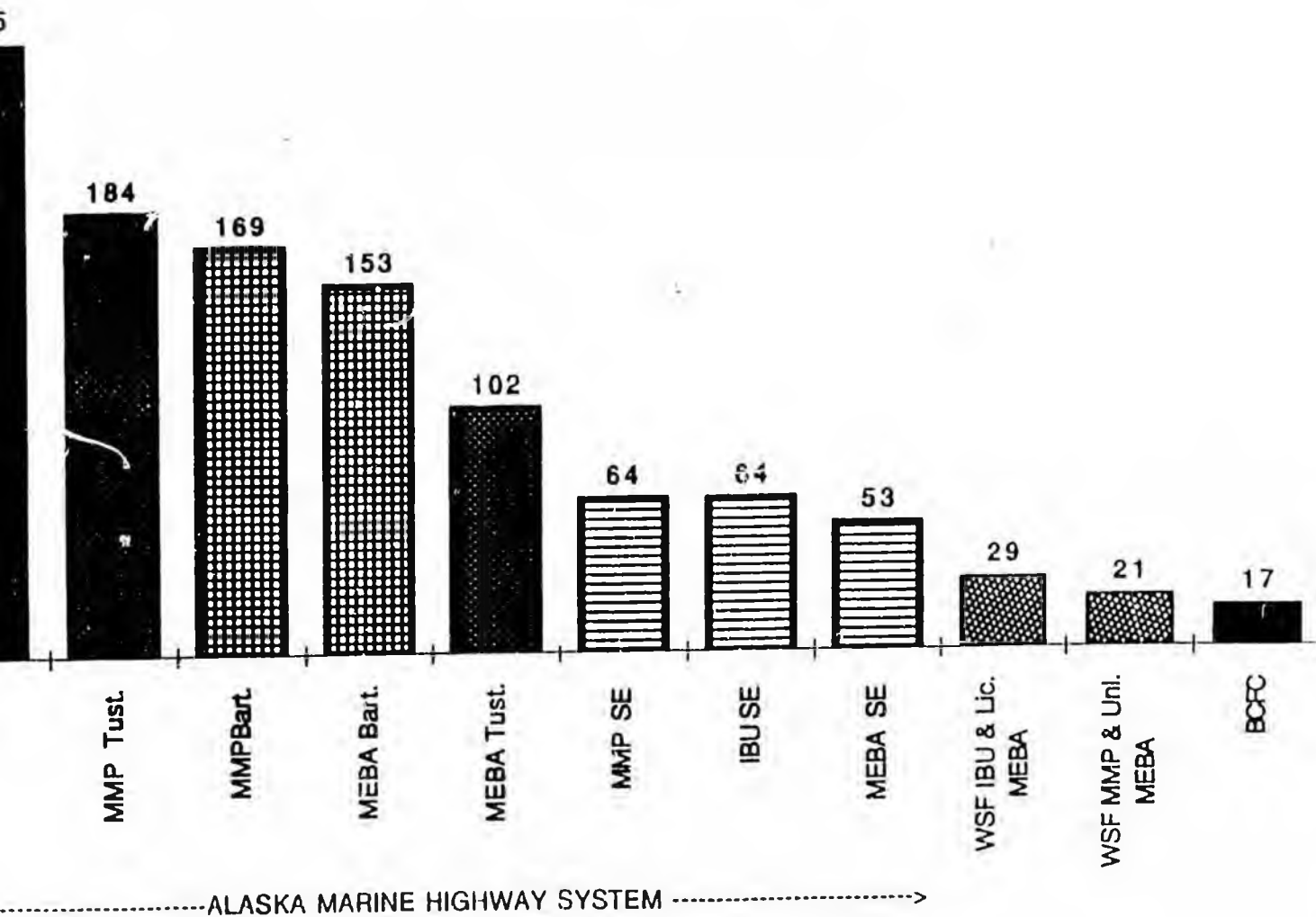
Leave accrual rates are greater in the AMHS Southeast than BCFC and WSF. The maximum leave hours per month for BCFC is 30 hours after 29 years of employment; the maximum for WSF is 39 hours after 16 years of service. The maximum leave for AMHS Southeast employees is 64 hours per month for ten or more years of employment.

AMHS Southwest employees on the *M/V Bartlett* and *M/V Tustumena* accrue far greater amounts of leave than do employees in the AMHS Southeast. To a large extent these greater leave accruals compensate for the lower hourly rates in the Southwest system. Thus, the AMHS leave accruals in the Southwest system can no more be meaningfully compared to leave accruals in other systems than Southwest hourly rates can be compared to other systems. For this reason, figure 7 compares AMHS Southeast leave rates with WSF and BCFC. Figure 8 however shows all the AMHS leave rates accrued per month at ten years of service compared to WSF and BCFC. By the tenth year of service AMHS employees have reached their maximum leave benefit. In figures 7 and 8 total accrued leave includes A-Days, vacation and sick leave or personal leave.

Figure 7. AMHS SOUTHEAST EMPLOYEE ACCRUED LEAVE COMPARED TO WSF AND BCFC



**Figure 8. ACCRUED LEAVE HOURS PER MONTH FOR ALL THREE FERRY SYSTEMS FOR TEN YEARS OF SERVICE**



## Holidays

All AMHS and BCFC vessel employees receive 11 paid holidays. In the WSF system MMP and unlicensed MEBA engine room employees receive 11 holidays while licensed MEBA and IBU employees receive 12 holidays. WSF MEBA employees are credited with compensatory time off in lieu of the actual holidays. The compensatory time may be taken as time off or in pay. However, compensatory time may not be accumulated beyond 22 days.

## Health Insurance

The AMHS paid health care cost is the same for all vessel employees, \$386.31 per month. In addition, AMHS pays up to \$150 for an annual physical examination if an employee does not have the voluntary Supplemental Benefits System Option 1. Also, for employees hired after April 16, 1986, AMHS matches the employees' 1.45% of gross wages for Medicare benefits. The AMHS pays \$122.70 per month into the MEBA Reserve Retiree Insurance fund for health insurance for retired MEBA employees.

WSF pays health insurance of \$323.70 per month for MMP and IBU employees and \$388.70 for MEBA employees. WSF also matches the employees' Medicare 1.45% of the gross wages up to \$135,000.

BCFC pays the provincial BC Medical Health Care premium for all employees. The monthly rates expressed in U.S. dollars are \$27.62 for single employees, \$48.92 for an employee with one dependent and \$55.24 for family coverage.

## Retirement

All AMHS vessel employees participate in the State of Alaska Supplemental Benefits System (SBS) which requires employer and employee matching contributions of 6.13 % of gross wages up to \$57,600 for 1993.

AMHS MMP and IBU employees participate in the State of Alaska Public Employees Retirement System (PERS) where the employee contributes 6.75% and the state contributes 14.92 % (1992) of the employees gross wages. AMHS MEBA employees have two separate retirement systems not managed by the state into which the state contributes a total of \$445 per month for each MEBA employee.

All WSF employees participate in two retirement systems. WSF contributes 7.51% of the employee's base pay to the Washington State Retirement System where the employees contribute either 6% if hired prior to October 1, 1977, otherwise they contribute 4.85%. Also, WSF matches the employees' Social Security contribution of 6.2% of their first \$57,600 for 1993.

BCFC provides two pension retirement plans with contributions from both the employee and employer. In the British Columbia provincial Superannuation Plan for BCFC salaries less than \$32,000 (\$25,250 US) the employee pays 5.5% and the employer pays 8.0%; above \$32,000 the employee contributes 8.0% while the employer contributes 9.0%. BCFC employees also participate in the national Canada Pension Plan where to a maximum contribution of \$696 (\$549 US) per year the employee contributes 2.4% while the employer contributes 3.0%.

Table 8 summarizes the major provisions of the principal retirement plan for each system.

Table 8. SUMMARY OF MAJOR PROVISIONS OF THE PRINCIPAL RETIREMENT PLAN FOR THE THREE FERRY SYSTEMS

PLAN PROVISION	AMHS	WSF	BCFC
Normal Retirement Age	55 or 60 *	60 or 65 **	65
Salary for Benefit Calculation	Three highest consecutive years	2 highest consecutive years for employees hired prior to 10/1/77; 5 consecutive years thereafter	Average of the highest five years
Percentage for Benefit Calculation	2% for first 10 years, 2.25% for second ten years after 7/1/86, and 2.5% for over 20 years after 7/1/86.	2%	2%
Major Medical Coverage	Without cost upon retirement for employees hired prior to July 1, 1986 and at age 65 for others	Employees pay group rate for coverage under several plans that include medical, dental and term life. Cost of coverage is reduced after age 65 when retired employees become eligible for Medicare.	The Medical Services Plan of British Columbia continues to provide basic medical coverage to permanent residents. However, the BCFC Extended Health Care Plan terminates upon retirement.

\* Age 55 for employees hired prior to July 1, 1986; 60 for employees first hired thereafter.

\*\* Age 60 for employees hired prior to October 1, 1977; 65 for employees first hired thereafter.

## Unemployment Insurance

AMHS pays 1% of gross wages for unemployment insurance for vessel employees.

According to a WSF Human Resources officer, WSF does not pay unemployment insurance for MMP employees and said it is "too low to calculate" for MEBA employees because there is little to no turnover in the licensed deck and engine room positions. WSF unemployment insurance is calculated at 4.68% for unlicensed MEBA Oilers and Wipers but at 8.64% for all IBU employees.

BCFC employees contribute 3% of their first \$710 (\$560 US) gross salary up to \$21.30 (\$16.81 US) per week and BCFC contributes 4.2% of the employees' first \$740 (\$584 US) gross salary up to \$31.08 (\$25.53 US).

## Marine Liability Insurance (Workman's Compensation)

The AMHS pays 1.32% of employee gross wages up to a predefined level set each year by the Department of Administration Risk Management Division. Payments are for Jones Act marine insurance which includes its version of workman's compensation insurance for marine employees. The AMHS payroll assessment for ship board employees is for a marine liability

policy that includes vessel hull or machinery damage, passenger or employee injury, and general or automobile liability. Coverage for employee injury under the Jones Act is much broader than workman's compensation insurance. For example, if an employee loses a dental filling in the normal course of eating while working or being required to be on board it is covered under the policy. The Jones Act also permit suits for negligence or unseaworthiness. Since the Jones Act insurance is so broad, it has not been included as an employee benefit.

WSF is also covered under the Jones Act and pays actual claims.

BCFC is self insured for workman's compensation.

### Uniform Allotment

The AMHS provides uniforms for vessel employees plus pays a semiannual uniform allowance of \$33 per month to licensed officers and \$25 per month to most unlicensed crew. The allowance is for uniform cleaning and maintenance.

WSF provides work clothes to vessel employees. Licensed deck officers receive a cleaning allowance of \$410 per year (\$34.17 per month).

ECFC provides uniforms to all vessel employees but did not report a cleaning allowance.

### Officer Liability Insurance

The AMHS pays for officer liability insurance. It pays at a rate of \$25.83 per month for deck officers and \$15.23 per month for engine room officers. The employees of WSF pay their own officer liability insurance while BCFC pays it for their employees.

### Other Benefits

After two years with the AMHS employees are eligible for travel passes for themselves and their immediate family, including vehicles on a space available basis. BCFC and WSF offer the same benefit after six months of service.

### Employer Costs Not Considered Benefits

Meals and accommodations on the ferries represent a significant benefit for personnel on the two BCFC northern route vessels and the personnel of the vessels of the AMHS. They have, however, not been considered fringe benefits for purposes of this comparison due to the difficulty of measuring their value.

BCFC non-permanent employees classified as "junior casual" employees are paid an extra \$3.50 (\$2.76 USD) per day in lieu of benefits.

## **APPENDIX A**

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**PROFILES  
FOR  
ALASKA MARINE HIGHWAY SYSTEM  
BRITISH COLUMBIA FERRY CORPORATION  
WASHINGTON STATE FERRIES**

## ALASKA MARINE HIGHWAY SYSTEM PROFILE

### GENERAL DESCRIPTION

The Alaska Marine Highway System (AMHS) in its 30th year of service currently operates eight vessels which cruise approximately 3500 miles of scheduled routes. With the exception of annual overhauls and vessel modifications, all vessels operate year around, transport both passengers and vehicles, and provide hot food service to both passengers and crews. In addition, there is a full bar on seven of the vessels. The five largest mainline vessels offer passenger stateroom accommodations.

The AMHS divides its vessel operations into two service areas, the Southeast system and the Southwest system. The longest continuous voyage on the Southeast route is from Bellingham, WA to Ketchikan requiring 36 hours and the shortest is the one hour trip from Haines to Skagway. The longest route in the Southwest is the voyage from Kodiak to Chignik which requires 19 hours; the shortest is the one and one-half hour trip from Homer to Seldovia.

The AMHS operates 32 shore terminals and provides ferry service to 17 communities in the Southeast and 13 communities in the Southwest. The actual passenger counts in 1989, 1990 and 1991 were 395,000, 401,000, and 408,500, respectively. Expected passenger counts for 1992 and 1993 are 410,100 and 412,000. In 1991, 108,100 vehicles were also transported.

Within the AMHS there are four different categories of compensation and working conditions based generally on routes and vessel size. There are three principal routes. The Southeast Inside Passage mainline route is from Bellingham to Skagway. The Southcentral route serves the three Prince William Sound communities while the Southwest Route serves communities from Seward to Unalaska/Dutch Harbor.

In the Southeast, there are four major vessels – the *M/V Columbia*, *M/V Malaspina*, *M/V Matanuska* and the *M/V Taku* as well as two minor vessels – the *M/V LeConte* and *M/V Aurora*. The major vessels provide service from Bellingham and Prince Rupert, BC to Skagway while the minor vessels divide the Southeast Alaska panhandle into two local service areas. The *M/V LeConte* serves the communities of the Northern panhandle and the *M/V Aurora* serves the communities of the Southern panhandle.

In the Southwest there are two vessels. The *M/V E L Bartlett* serves three Prince William Sound communities. These are Valdez and Cordova with Whittier added in the summer. The *M/V Tustumena* serves the Kenai Peninsula, Kodiak and the Aleutian Chain out to Unalaska/Dutch Harbor. The *M/V Tustumena* is the only AMHS vessel that is certified by the U. S. Coast Guard (USCG) for ocean going transport within 50 miles of shore. All of the other vessels are certified for sheltered coastal waters.

## COLLECTIVE BARGAINING

The AMHS has exclusive representative labor agreements with three unions that are affiliated with the AFL-CIO. The unions are as follows:

- International Organization of Masters, Mates and Pilots (MMP)
- District No. 1 — Pacific Coast District, Marine Engineers Beneficial Association (MEBA)
- Inlandboatmen's Union of the Pacific, Alaska Region (IBU)

The MMP represents 70 licensed deck officers, masters and mates, who have an average length of service of 14 years.

MEBA represents 82 AMHS licensed marine engineers whose average length of service is also 14 years. Unlike employee contracts with members of the other two unions, AMHS allows the MEBA Seattle office to dispatch marine engineers.

The IBU represents 625 AMHS employees whose average length of service is eight years. This union represents exempt, non-classified, unlicensed employees who are in the deck, engine room, steward and purser departments.

Contract terms for vessel employees on the *M/V Tustumena* differ from the terms of the Southeast since the *M/V Tustumena* cruises "blue water" ocean routes. The *M/V Bartlett* however is limited by the US Coast Guard to sheltered waters, like the Southeast vessels, although the crew of the *M/V Bartlett* receive a similar compensation package to that of the crew of the *M/V Tustumena*. All Southwest vessel employees receive Accumulated Days Off or "A-Days" credit in lieu of vacation.

For each day worked, employees hired prior to April 1, 1985, receive .875 A-Days if they have been employed seven to nine years, those employed more than nine years receive one day off for each day worked. Employees hired after April 1, 1985, depending on length of service receive from .5 to .875 A-Days for each day worked. In addition to A-Days, MMP and IBU employees accrue 15 hours per month of sick leave.

## VESSEL OPERATIONS

During the last six fiscal years, AMHS vessels operated an average of 73% of the year. In FY93, the eight vessels operated 296.5 weeks and were out of service for a total of 119.5 weeks of a possible 416 weeks. Part of the out of service period, approximately 69 weeks, includes a two month maintenance over haul period for each vessels during its winter schedule.

According to the AMHS FY93 budget, overhauls ranged from 5.4 weeks to 10.9 weeks. AMHS says the *M/V Columbia* is the most expensive vessel to operate and is out of service for 27.7 weeks during FY93. It is scheduled for lay-up between November 15, 1992, and March 28, 1993, then continues on overhaul schedule until May 29, 1993. In addition to vessel overhauls, the 1992/1993 draft Operating Plan calls for the auxiliary refurbishment of the *M/V Columbia* and the repowerment of the *M/V Taku*, and an out of service period for the *M/V Bartlett*. The *M/V Malaspina* is scheduled for lay-up between February 15 and March 15, 1993, after which it is scheduled for 7.7 weeks of overhaul.

The approximate schedules in table 9 are based on the published ferry schedules and the FY92 AMHS draft Operating Plan of November 9, 1991.

## Southeast System

The Southeast system serves 16 communities in the winter and 17 during the summer. A once a week trip to Hyder is added to the summer route. The operating route of the Southeast vessels certified by the USCG is restricted to the sheltered waters of the West Coast of North America. When operating in the waters of British Columbia AMHS vessels are required to have a radio operator on duty.

## Southwest System

The two ferries in the Southwest system serve 13 communities. The *M/V Bartlett* can transport vehicles up to 60 feet in length while the *M/V Tustumena* can transport vehicles up to 40 feet in length.

The operating route for the *M/V Bartlett* is limited to three communities in Prince William Sound. When going to or from shipyards it is restricted to the sheltered waters of North America. The *M/V Tustumena* can operate in the Pacific Ocean and the Gulf of Alaska but not more than 50 miles off shore. The "Tusky" serves ten communities on the Kenai Peninsula, Kodiak Island and Aleutian Chain out to Unalaska/Dutch Harbor. A round trip between Homer and Unalaska via Kodiak takes one week.

**New Proposed Vessel** AMHS has proposed a new multipurpose ocean rated vessel which is expected to be on line in 1996. It will serve as a Southeast mainline vessel, provide replacement service for Southwest route vessels in overhaul, and initiate cross-gulf service between the Southeast and Southwest routes. The proposed new vessel will be 380 feet in length and is expected to carry 500 passengers, have 105 staterooms and transport 100 vehicles using a turntable loading platform like that in use on the *M/V Tustumena*. The AMHS says "... the vessel will be at the ready to provide assistance as a command and communications center in the event of a hazardous spill or other coastal emergency." In times of national emergency it may also be used for military transport.

Table 9. AMHS SOUTHEAST AND SOUTHWEST TENTATIVE VESSEL OPERATION SCHEDULES FOR FY92 AND FY93

VESSEL	GROSS	NET	LENGTH	HORSE POWER	STATE RMS	SUMMER '92 ROUTE	WINTER '92 ROUTE	OVER-HAUL '92	SUMMER '93 ROUTE	COMMENTS
<i>Southeast System</i>										
M/V Aurora	1280	453	214'	4,300	No	So. Panhandle 5/1/92 - 1/4/93	3/4/93 - 4/30/93	1/5/93 - 3/3/93	So. Panhandle 5/1/93 - 9/30/93	Winter panhandle route during overhaul of LeConte
M/V LeConte	1328	566	214'	4,300	No	No. Panhandle 4/30/92 - 1/4/93	1/5/93 - 3/15/93	3/16/93 - 4/30/93	No. Panhandle 5/1/93 - 9/30/93	Winter panhandle route during overhaul of M/V Aurora
M/V Columbia	3946	2683	380'	10,800	Yes	Bellingham to Skagway 5/1/92 - 12/4/92		12/5/92 - 4/30/93	Bellingham to Skagway 5/1/93 - 9/30/93	Auxiliary refurbishment completed during overhaul
M/V Taku	2624	1494	319'	8,000	Yes	Bellingham to Skagway 5/1/92 - 9/29/92		9/30/92 - 5/30/93	Prince Rupert to Skagway 6/1/93 - 9/30/93	Repower and overhaul completed in Mobile, Alabama
M/V Malaspina	2928	1253	375'	8,000	Yes	Prince Rupert to Skagway 5/1/92 - 4/16/93		4/17/93 - 5/31/93	Prince Rupert to Skagway 6/1/93 - 10/2/93	
M/V Matanuska	3029	1235	375'	7,200	Yes	Prince Rupert to Skagway 5/2/92 - 10/5/92	Bellingham to Skagway 12/4/92 - 4/30/93	10/6/92 - 12/3/92		
<i>Southwest System</i>										
M/V E L Bartlett	933	384	167'	3,468	No & No Bar	Valdez, Cordova & Whittier 5/1/92 - 9/22/92	Cordova/Valdez 2/23/93 - 4/30/93	9/23/92 - 11/22/92	5/1/93 - 9/23/93	Out of service 11/23/92 thru 2/22/93. Second overhaul 10/25 - 12/7/93
M/V Tustumena	4593	1377	266'	3,200	Yes	SW w/ 7 trips Aleutian Chain 5/1/92 - 2/22/93		2/23/93 - 4/17/93	SW w/ 5 trips Aleutian Chain 4/18/93 - 9/28/93	Overhaul and propulsion refurbishment 12/6/93 thru 4/30/94

## BRITISH COLUMBIA FERRY CORPORATION PROFILE

### GENERAL DESCRIPTION

The British Columbia Ferry Corporation (BCFC), established in 1960, provides year-round service to 42 ports of call. In the most recent reporting period, BCFC carried 20 million passengers and eight million vehicles on its 41 ferries. BCFC serves 29 routes with three voyages as short as 10 minutes and one route as long as 15 hours. The Port Hardy to Prince Rupert route is the longest route.

Sixteen of the major ferries have cafeterias but only two vessels are equipped with staterooms for over night passenger use. Reservations are accepted for three of the routes, otherwise, walk-on and/or drive-on traffic meets the ferry just prior to departure. Every ferry operates with a full crew, i.e., enough to carry out all emergency procedures. Some scheduled sailings carry dangerous cargo rather than passengers.

The shortest ferry is 42 feet in length and carries 38 passengers but no vehicles. The longest ferry is 545 feet in length and carries 2,100 passengers and 470 vehicles. BCFC classes as minor vessels those that are generally under 2,500 gross tons. There are 21 minor vessels and 20 major vessels. Vessels gross tonnage range from 20.6 tons to 12,740 tons. The oldest operating ferry was built in 1949, while the newest was built in 1992. One additional major vessel is under construction and will be added to the fleet in 1994.

### COLLECTIVE BARGAINING

BCFC licensed deck officers are organized in the Excluded Employees bargaining unit as salaried employees compensated for 1,827 hours per year without overtime compensation.

The other vessel and shore side employees are represented by the B. C. Ferry and Marine Workers' Union. The current collective bargaining agreement expired on October 31, 1992, but a tentative agreement with a 2% increase has been recommended for acceptance by the union and is expected to be approved. All employees working a specific job receive the same wage and all employees are entitled to the same compensation package. BCFC employees are salaried employees; hourly rates are used for convenience of wage and benefit calculations.

The standard work day for which the majority of vessel employees are paid is eight hours. Watch and shift schedules range from a scheduled 7 to 12 hours per day with 30 combinations of shift schedules and durations. All watch configurations are based on 1,827 hours of work per year. Due to the scheduling of shift cycles required for seven day per week operations, some vessel employees receive 17 extra paid days off per year. The paid time off in 1992, was approximately \$1,400,000 US.

Employee shifts include a 30 minute meal period and breaks for which they are compensated. For example, an employee scheduled for a 7.5 hour shift is paid for seven hours and given one-half hour meal compensation time. All over time is paid at double the base rate and may be taken in cash or compensatory time off. Holiday overtime is paid at the double time rate plus an extra leave day. Employees are paid a shift differential of \$.50/hour for hours worked between 1700 to 2359 and are paid a shift differential of \$1.25/hour for hours worked between 2400 to 0659.

Employees working the two Northern route vessels are paid a premium of an additional 29% of the base wage. These employees work 12 hour daily shifts, holidays included. Regular shift overtime is not paid unless an employee works more than 12 continuous hours which is unlikely since the employee is relieved by another 12 hour shift employee already on the vessel. A lesser premium percentage is paid to employees who work regularly scheduled ten hour shifts on other vessels. Vessel employees who are paid the percentage premium are not eligible for the 17 extra days off mentioned above.

BCFC promotes master and mates from within. Unlicensed deck employees are promoted when they obtain their license and positions are available.

## WASHINGTON STATE FERRIES PROFILE

### GENERAL DESCRIPTION

There are 951 vessel employees who operate the Washington State Ferries' (WSF) 25 ferries which carry over 23 million passengers and nine million cars annually. WSF operates in Puget Sound and its inland waterways from Tacoma to Sidney, B.C. on Vancouver Island. WSF is primarily a year around commuter ferry service with additional tourist traffic in the summer months. WSF has nine routes to 20 ports of call that connect peninsulas and seven islands to the mainland.

The shortest route is one and one-half nautical miles requiring five minutes while the longest route is 38.2 nautical miles requiring two hours and 23 minutes. The longest and shortest times are based on 16 knots per hour. There is no requirement for overnight staterooms for passengers, however, the 22 auto carrying ferries have overnight crew quarters.

Vessels range in size and capacity from *M/V Tye* which is 86 feet in length and carries 319 passengers to the jumbo class *M/V Spokane* and *M/V Walla Walla* both of which are 440 feet in length and carry 2,000 passengers and 206 autos. Twelve of the vessels are diesel powered and thirteen are diesel-electric powered. The four oldest ferries were built in 1927, and rebuilt during the period of 1981 to 1987. The two newest ferries are passenger only and were built in 1989.

Vessels are required to provide around the clock operations in case emergency service is needed to their ports of call. Second and third shift "touring watches" permit vessels to be on standby for emergency transport although these watches are used primarily for maintenance and cleaning.

Most of the ferries have a galley or snack bar operated by Marriott Host International. Marriott contracts the concessionaire galley for which they pay WSF a percent of the profits. The galley serves a fast food menu to both passengers and crew. WSF employees pay one-half the retail price for meals. Galley staff are employees of Marriott although they are also represented by IBU.

### COLLECTIVE BARGAINING

WSF has collective bargaining agreements for vessel employees with the International Organization of Masters, Mates and Pilots, the Pacific Maritime Region (MMP), National Marine Engineers Beneficial Association (MEBA), and the Inlandboatmen's Union of the Pacific, Marine Division the International Longshoreman's and Warehousemen's Union (IBU). WSF and MEBA have two contracts one for licensed officers and another contract for unlicensed engine room employees.

There are fewer positions classes on WSF than on the ferries of the Alaska Marine Highway System or British Columbia Ferry Corporation. For example, no purser classification is listed nor are there stewards for the officer quarters or mess. The fewer positions are largely a result of WSF not having passenger staterooms and contracting food service to an independent company.

In each of the last five years, wage rates have increased on January 1 for IBU's Bosun, Able

Bodied Seamen and Ordinary Seamen.. For the years of 1989, through 1993, wage increases have been 3%, 2.5%, 6%, 3.6%, and 3%, respectively. In 1991, all vessel employees received the 3.6% increase as did other Washington state employees in that year.

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## **APPENDIX B**

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**WAGE AND BENEFITS SPREADSHEETS  
FOR  
ALASKA MARINE HIGHWAY SYSTEM  
WASHINGTON STATE FERRIES  
BRITISH COLUMBIA FERRY CORPORATION**

RESEARCH REPORT AMHS COMPARATIVE COMPENSATION ANALYSIS

ALASKA MARINE HIGHWAY SYSTEM 1993 COMPENSATION SCHEDULE

	A	B	C	D	E	F	G	H	I	
1	POSITION	Hourly	Monthly	Monthly	Premium	Monthly	Vacation	Holiday	Sick Leave	
2		Rate	Base	COLD	Pay	Total	Accrual Per	Pay	Accrual/Mo	
3	SOUTHEAST MAJOR VESSELS (COL, MAL, MAT, & TAKU)						Mo. for Aver. Serv			
4	MM&P 26	84 hour pay periods/year, 12 hours/day, 182 hours/month						149 hrs / mo.		
5	Master	31.06	5,652.92	1,162.48		6,815	1,834.92	561.71	465.90	
6	Pilot (Bellingh. run)	26.14	4,757.48	978.40		5,736	1,544.28	472.74	392.10	
7	Chief Mate NonWatch	25.84	4,702.88	966.94	In hrly rate	5,670	1,526.49	467.29	387.60	
8	Chief Mate Watch	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
9	Second Mate	22.62	4,116.84	846.45		4,963	1,336.27	409.06	339.30	
10	Third Mate	22.62	4,116.84	846.45		4,963	1,336.27	409.06	339.30	
11										
12	MEBA 26	84 hour pay periods/year, 8.4 hours/day, 182 hours per month						53.2 hrs / mo.		
13	Sr Port Engineer	29.05	5,287.10	1,087.67	1,191.67	7,566	2,210.34	523.83	Plus sick bank	
14	Port Engineer	29.05	5,287.10	1,087.67		6,375	1,862.23	441.33	Plus sick bank	
15	MEBA 26	84 hour pay periods/year, 12 hours/day, 182 hours per month								
16	Lead Chief Eng NonW	28.07	5,108.74	1,051.59	1,186.21	7,347	2,146.11	605.48	Plus sick bank	
17	Chief Eng. NonWatch	28.07	5,108.74	1,051.59	969.54	7,130	2,082.81	587.63	Plus sick bank	
18	1st Asst Engin	24.20	4,404.40	906.51		5,311	1,551.45	437.71	Plus sick bank	
19	2nd Asst Engin	22.60	4,113.20	846.45		4,960	1,448.84	408.76	Plus sick bank	
20	3rd Asst Engin	21.20	3,858.40	794.00		4,652	1,359.08	383.44	Plus sick bank	
21										
22	IBU 24	91 hour (aver.) pay periods/year, 12 hours/day, 182 hours/month						42 hrs / mo.		
23	Chief Steward	16.90	3,075.80	642.46		3,718	858.06	306.45	253.50	
24	2nd Steward	14.79	2,691.78	606.06		3,298	761.04	271.80	221.85	
25	Storekeeper	14.31	2,604.42	580.58		3,185	735.00	262.50	214.65	
26	Chief Cook	15.20	2,766.40	622.44		3,389	782.04	279.30	228.00	
27	2nd Cook	13.35	2,429.70	549.64		2,979	687.54	245.55	200.25	
28	Asst 2nd Cook	12.66	2,304.12	520.52		2,825	651.84	232.80	189.90	
29	Bartender	12.66	2,304.12	520.52		2,825	651.84	232.80	189.90	
30	Head BR Steward	12.66	2,304.12	520.52		2,825	651.84	232.80	189.90	
31	Head Waiter	12.66	2,304.12	520.52		2,825	651.84	232.80	189.90	
32	Mess Steward	12.61	2,295.02	516.88		2,812	648.90	231.75	189.15	
33	Cashier	12.61	2,295.02	516.88		2,812	648.90	231.75	189.15	
34	Gift Shop Operator	12.61	2,295.02	516.88		2,812	648.90	231.75	189.15	
35	Officer's BR	12.54	2,282.28	511.42		2,794	644.70	230.25	188.10	
36	Steward	12.54	2,282.28	511.42		2,794	644.70	230.25	188.10	
37	A/B Bos'n	14.91	2,713.62	607.38		3,321	766.50	273.75	223.65	
38	Able Seaman	13.64	2,482.48	558.74		3,041	701.82	250.65	204.60	
39	Ordinary Seaman	12.78	2,325.96	522.34		2,848	657.30	234.75	191.70	
40	Ord Seaman/Porter	12.78	2,325.96	522.34		2,848	657.30	234.75	191.70	
41	Watchman	12.78	2,325.96	522.34		2,848	657.30	234.75	191.70	
42	Chief Purser	16.90	3,075.80	642.46		3,718	858.06	306.45	253.50	
43	Sr Asst Purser	14.79	2,691.78	606.06		3,298	761.04	271.80	221.85	
44	Jr Asst Purser	12.66	2,304.12	520.52		2,825	651.84	232.80	189.90	
45	Jr Engineer	15.00	2,730.00	613.34		3,343	771.54	275.55	225.00	
46	Oiler	13.75	2,502.50	564.20		3,067	707.70	252.75	206.25	
47	Wiper	12.87	2,342.34	527.80		2,870	662.34	236.55	193.05	
48	IBU Probationary Employees									
49	Steward	11.29	2,054.78	460.46		2,515	580.44	207.30	169.35	
50	Porter & Watchman	11.50	2,093.00	471.38		2,564	591.78	211.35	172.50	
51	Wiper	11.58	2,107.56	475.02		2,583	595.98	212.85	173.50	
52	Jr Asst Purser	11.39	2,072.98	469.56		2,543	586.74	209.55	170.85	
53										
54	Notes:	1. Calculations are based on an employee with average service in his/her union working on a vessel "on the run" May through September								
55										
56		2. MM&P = Masters, Mates and Pilots; MEBA = Marine Engineers Benevolent Assn.; IBU = Inland Boatman's Union								
57		3. The average length of service, as of 9/1/92, for the three unions is MMP, 14.0; MEBA, 14.0, and IBU 8.1.								
58		4. As of 9/1/92, there were 70 MM&P, 82 MEBA, and 625 IBU employees.								
59		5. Southeast IBU vessel employees work 26 84 hour work assignments paid semi-monthly, 24 times per year.								
60		6. MEBA Sick Leave (hour) Bank was created 7/7/89 when MEBA contracted for personal leave. Total individual sick leave hours were distributed as 10% cash pay out, 40% converted to personal leave, and 50% of the hours went into the MEBA controlled Sick Leave Bank to be withdrawn by all members.								
61										
62										
63		7. NonWatch (NonW) pay is paid in lieu of overtime to be available as needed during off duty hours while on the vessels. NonWatch pay of \$283.62 is paid each pay period to all masters & the chief mate of the Columbia class vessels while the chief mate of the Tustumena is paid \$268.58. All chief engineers receive \$447.48 /pay period.								
64										
65										



















## BRITISH COLUMBIA FERRY CORPORATION 1993 VESSEL PAY SCHEDULE

	A	B	C	D	E	F	G	H	I	
1	POSITION	Hourly Rate	Hourly rate	Monthly Base	Premium	Monthly	Vacation	Holiday	Sick Leave	
2		Canadian \$:	converted to	Canadian \$	Pay for	Total	Accrual	Pay	Accrual/Mo	
3			US \$	152.25	(North Routes)	In US\$		11 7 hour	8 7 hour	
4				hrs/mo	Canadian \$:			days/year	days/year	
5							20 7.5 hr day/yr			
6	Master, Large & North. Route Vessels	39.361	31.061	5,993.001	N/A	4,729.081	388.271		108.71	
7							25 7 hr day/yr			
8	Master, Queen of Sidney	34.001	26.831	5,175.981	N/A	4,084.371	391.221	172.141	93.89	
9	Second Officer LV MP	28.151	20.841	3,981.761	N/A	3,142.011	300.981	132.421	72.23	
10	Chief Officer LV	27.851	21.971	4,239.551	N/A	3,345.431	320.441	141.001	76.91	
11	Second Officer LV	25.701	20.281	3,913.431	N/A	3,088.091	295.791	130.151	70.99	
12	Chief Officer 12 hr live aboard	27.851	21.971	4,239.551	1,229.471	4,315.611	320.441	141.001	76.91	
13	Second Officer 12 hr live aboard	25.701	20.281	3,913.431	1,134.901	3,983.641	295.791	130.151	70.99	
14	Master-MV	28.781	22.721	4,383.981	N/A	3,459.401	331.361	145.801	79.53	
15	Mate-MV	25.081	19.791	3,618.701	N/A	3,013.341	288.631	127.001	69.27	
16	Mate-MV (ASTO)	25.521	20.141	3,885.481	N/A	3,066.031	293.681	129.221	70.48	
17	Third Officer 12 hr live aboard	24.301	19.171	3,699.131	1,072.751	3,785.491	279.601	123.021	67.10	
18	Fourth Officer 12 hr live aboard	23.041	18.181	3,508.111	1,017.351	3,571.051	265.161	118.871	63.64	
19	Deck Engineer 12 hr live aboard	24.091	19.011	3,688.071	1,063.741	3,733.871	277.251	121.991	66.54	
20	Radio Officer 12 hr live aboard	24.301	19.171	3,699.131	1,072.751	3,785.491	279.601	123.021	67.10	
21	Electrician 12 hr live aboard	25.551	20.161	3,890.141	1,128.141	3,959.921	294.031	129.371	70.57	
22	Bosun 12 hr live aboard	19.921	15.721	3,032.911	879.541	3,087.321	229.241	100.871	55.02	
23	Refit Seaman	19.691	15.531	2,997.191	N/A	2,365.091	226.541	99.681	54.37	
24	Seaman-WKM Certificate	19.101	15.081	2,908.881	N/A	2,295.241	219.851	96.731	52.76	
25	Seaman-Able	19.101	15.081	2,908.881	843.521	2,960.851	219.851	96.731	52.76	
26	Seaman-Ordinary	18.721	14.771	2,849.881	826.401	2,900.781	215.391	94.771	51.89	
27	Seaman Probation	18.991	13.411	2,587.211	N/A	2,041.571	195.551	88.041	46.93	
28							25 7 hr day/yr			
29	Sr Chief Engineer LV	34.001	26.831	5,175.981	N/A	4,084.371	391.221	172.141	93.89	
30	Ch Engineer-LV	33.201	26.201	5,054.851	N/A	3,988.781	382.071	168.111	91.70	
31	2nd Engineer	27.851	21.971	4,239.551	N/A	3,345.431	320.441	141.001	76.91	
32	Jr Engineer 4th Cert LV	23.401	18.481	3,582.471	N/A	2,811.141	269.271	118.481	64.82	
33	Jr. Engineer Basic LV	23.121	18.251	3,520.541	N/A	2,778.081	266.101	117.081	63.88	
34	Sr Chief Engineer 12 hr live aboard	34.001	26.831	5,175.981	1,501.031	5,288.831	391.221	172.141	93.89	
35	Ch Engineer 12 hr live aboard	33.201	26.201	5,054.851	1,465.911	5,145.591	382.071	168.111	91.70	
36	2nd Engineer 12 hr live aboard	27.851	21.971	4,239.551	1,229.471	4,315.811	320.441	141.001	76.91	
37	Third engineer 12 hr live aboard	25.551	20.161	3,890.141	1,128.141	3,959.921	294.031	129.371	70.57	
38	Jr. Eng 4th Cert. 12 hr live aboard	23.401	18.481	3,582.471	1,033.121	3,626.371	269.271	118.481	64.82	
39	Jr. Engineer 4th Cert. MV	22.781	17.971	3,487.741	N/A	2,736.391	262.111	115.331	62.91	
40	Jr. Engineer Basic MV	22.511	17.761	3,427.361	N/A	2,704.531	259.051	113.981	62.17	
41	Sr Ch Engin-MV	28.791	22.721	4,383.981	N/A	3,459.401	331.361	145.801	79.53	
42	Ch Engineer-MV	28.451	22.451	4,331.181	N/A	3,417.731	327.371	144.041	78.57	
43	Oiler	19.101	15.081	2,908.881	843.521	2,980.851	219.851	96.731	52.76	
44	Oiler Apprentice	19.101	15.081	2,908.881	843.521	2,980.851	219.851	96.731	52.76	
45	Oiler Probation	17.341	13.881	2,640.021	N/A	2,083.241	199.541	87.801	47.89	
46							21 7 hr day/yr			
47	Chief Steward LV	25.981	20.501	3,955.361	N/A	3,121.181	298.961	131.541	71.75	
48	Chief Steward 2 LV	23.831	18.851	3,598.191	N/A	2,939.331	271.571	119.671	65.27	
49	Chief Steward 12 hr Live aboard	25.981	20.501	3,955.361	1,147.081	4,028.321	298.961	131.541	71.75	
50	Chief Steward 2 12 hr Live aboard	23.831	18.851	3,598.191	1,043.471	3,662.731	271.971	119.671	65.27	
51	2nd Steward	20.181	15.921	3,071.741	N/A	2,423.911	232.171	102.161	55.72	
52	Catering Supervisor	20.181	15.921	3,071.741	N/A	2,423.911	232.171	102.161	55.72	
53	Head Steward	18.991	14.871	2,831.031	N/A	2,233.961	213.981	94.151	51.36	
54	Night Steward	18.471	14.581	2,812.391	N/A	2,219.281	212.571	93.531	51.02	
55	Bar Steward 2	19.071	15.051	2,904.021	N/A	2,291.561	219.501	96.581	52.68	
56	Bar Steward 1	18.591	14.671	2,831.031	N/A	2,233.961	213.981	94.151	51.36	
57	Buffer Attendant	18.881	13.321	2,570.131	N/A	2,028.091	194.261	85.481	46.62	
58	Steward	18.131	14.301	2,759.591	800.281	2,809.101	208.581	91.781	50.08	
59	Chief Cook	21.791	17.191	3,317.101	N/A	2,617.521	250.721	110.321	60.17	
60	2nd Cook	19.301	15.231	2,938.181	N/A	2,318.521	222.081	97.721	53.30	
61	3rd Cook/Mess	18.751	14.791	2,854.321	N/A	2,252.351	215.741	94.931	51.78	
62	Store Keeper	19.071	15.051	2,904.021	N/A	2,291.561	219.501	96.581	52.68	
63	Pantryman	18.041	14.241	2,747.171	N/A	2,167.791	207.641	91.381	49.83	
64	Galley Helper	17.651	13.921	2,686.601	N/A	2,120.001	203.071	89.351	48.74	
65	Dishwasher	17.031	13.441	2,593.431	N/A	2,046.471	196.021	86.251	47.05	
66	Cashier / Supv	17.991	14.201	2,739.401	N/A	2,181.661	207.081	91.101	49.69	
67	Cashier 2	17.611	13.891	2,680.391	N/A	2,115.101	202.801	89.141	48.62	
68	Cashier 1	17.031	13.441	2,593.431	N/A	2,046.471	196.021	86.251	47.05	
69	Catering Attendant	18.711	13.181	2,543.731	N/A	2,007.261	192.271	84.601	46.14	
70	Cleaner 2	17.871	14.101	2,720.771	N/A	2,146.961	205.851	90.481	49.36	
71	Cleaner 1	17.171	13.551	2,613.611	N/A	2,062.401	197.551	86.921	47.41	
72	Please refer to the notes on the second following page.									





## APPENDIX C

### **DIFFERENT COST OF LIVING DIFFERENTIALS WITHIN ALASKA STATE GOVERNMENT**

## DIFFERENT COST OF LIVING DIFFERENTIALS WITHIN ALASKA STATE GOVERNMENT

Within the AMHS there are two wage differentials used to compensate employees based upon duty locations. Contracts for vessel employees have their wage base in Seattle with Alaska residents receiving a 22.5 % Cost Of Living Differential (COLD) above the base wage. The 22.5 % rate was determined in the early 1980's. According to AMHS in 1992, there were 39 AMHS vessel employees not receiving COLD and 707 vessel employees receiving COLD.

Another wage differential used by the State of Alaska pays Seattle area employees 87% of the Alaska base. AS 39.27.020 sets out pay step differentials for State of Alaska employees working in other states. It says the rate of pay is minus six steps of the applicable Alaska location rate. There are four Alaska state agencies that use the decrement for Seattle area employees. As of March 1993, AMHS employed four people at the Bellingham, WA terminal. Other Alaska state agencies with state employees working in the Seattle area are the departments of Commerce, Fish and Game, Revenue and Transportation. According to Department of Administration Personnel, the wage decrement is in the contracts for the General Government Unit, the Supervisory Bargaining Unit, and for Public Safety.

If Seattle is used as the base for salary adjustments, the vast majority of Alaska based state employees are paid 15% above the Seattle base but the AMHS vessel employees are paid 22.5% above the Seattle base. That is, if we use the 87% the state pays Seattle area employees as the base, the higher wage received by Alaska based employee is 15% greater than their Seattle based counterparts, i.e.,  $13\% / 87\% = 15\%$ .

There is considerable support that a 15% or less cost differential is reasonable considering current economic conditions and recent cost of living studies. We reviewed three measures of living cost reported in the Alaska Economic Trends of November 1992. These were -- the Consumer Price Index for the first half of 1992, the American Chamber of Commerce Research Association (ACCRA) Cost of Living Index for the first quarter of 1992 and Runzheimer's Living Cost Index of October 1990. The first measures changes in inflation over time while the latter two measure cost differences in different places at a point in time. The two cost of living indexes vary in survey populations and therefore in the resulting cost of living difference between Seattle and Alaska cities.

The ACCRA index concludes the cost to live in Alaska's three largest cities is roughly 30% higher than the average of 286 U.S. cities and approximately 13% higher than Seattle. However, the ACCRA index is a non-scientific survey collected by volunteers and does not consider state and local taxes.

The Runzheimer index looked at the comparative income necessary to maintain a certain standard of living in 253 areas of the country. Runzheimer concluded the living cost was actually 3% less in Anchorage and Juneau than in Seattle. The Runzheimer index considers state taxes and Alaska residential benefits. As with most indexes, it also assumes that the typical consumer has recently purchased a house. And housing prices have escalated in the Seattle area in recent years driving up consumer costs.

It is reasonable that the above measures of ACCRA and Runzheimer are equally valid in the second quarter of 1993, since the Consumer Price Index measure of the rate of inflation has been relatively constant from the dates of the two studies to the present. During the last three years, the Anchorage CPI has been within one-half of 1% of the U.S. average CPI.

We also queried a labor economist at the Alaska Department of Labor. The economist indicated that based on their most recent findings the cost of living in Alaska was 12% to 15% higher than in Seattle.

Monetary

Agreements

**SFIN**

**FILE**



OFFICIAL BUSINESS

Alaska State Legislature  
Senate  
Office of the Secretary

January 25, 1995

MEMORANDUM

TO: Senator Frank, Cochair  
Senator Halford, Cochair  
Finance Committee

FROM: Nancy Quinto *NQ*  
Secretary of the Senate

SUBJECT: Collective Bargaining Agreements

Pursuant to AS 23.40.215(b), President Pearce has referred the following monetary terms of the collective bargaining agreements between the State of Alaska and:

the unlicensed employees on the Alaska Marine Highway System represented by the Inlandboatmen's Union of the Pacific;

the Labor, Trades and Crafts unit represented by Public Employees Local No. 71; and

the Supervisory Unit represented by the Alaska Public Employees Association.

NQ/vsw

Enclosures

*Delivered  
to Co-chairs'  
Office  
1/26/95*

*Retrieved for 30 days*

STATE CAPITOL  
JUNEAU, ALASKA 99801-1182  
(907) 465-3701  
FAX: 465-2832

*2/1/95 Retrieved  
by Sen. Sen.'s  
Office for  
referral to SHAR  
Board Panel*

Sec. 23.40.215. FUNDING AND LEGISLATIVE APPROVAL.

(a) The monetary terms of any agreement entered into under AS 23.40.070 - 23.40.260 are subject to funding through legislative appropriation.

(b) The Department of Administration shall submit the monetary terms of an agreement to the legislature within 10 legislative days after the agreement of the parties, if the legislature is in session, or within 10 legislative days after the convening of the next regular session. The legislature shall advise the parties by concurrent resolution if it approves or disapproves of the monetary terms within 60 legislative days after the agreement is submitted to the legislature. The approval of the monetary terms of an agreement under this subsection is a nonbinding, advisory expression of legislative intent. If within 60 legislative days after the agreement is submitted the legislature advises the parties by concurrent resolution that it disapproves the monetary terms of the agreement, the parties may resume negotiations.

(c) Notwithstanding (b) of this section, the monetary terms of an agreement entered into between a school district or regional educational attendance area and its employees are not subject to approval by the legislature.



OFFICIAL BUSINESS

Alaska State Legislature  
Senate  
Office of the Secretary

4/10/95 Copy to each  
Co-chair  
this date

STATE CAPITOL  
JUNEAU, ALASKA 99801-1182  
(907) 465-3701  
FAX: 465-2832

April 10, 1995

MEMORANDUM

TO: Senator Frank, Cochair  
Senator Halford, Cochair  
Finance Committee

FROM: Nancy Quinto *NQ*  
Secretary of the Senate

SUBJECT: Monetary Terms of the Board of Regents of the University of  
Alaska and the Classified Employees Association

President Pearce has referred the report on the monetary terms of the collective bargaining agreement between the State of Alaska and the Board of Regents of the University of Alaska and the Alaska Classified Employees Association to your committee for review.

NQ/vsw

Attachment

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## DEPARTMENT OF ADMINISTRATION

DIVISION OF PERSONNEL/OFFICE OF  
EQUAL EMPLOYMENT OPPORTUNITY

P.O. BOX 110201  
JUNEAU, ALASKA 99811-0201  
PHONE: (907) 465-4430  
FAX: (907) 465-2576

March 28, 1995

The Honorable Drue Pearce  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

APR 01 1995

Dear Madam President:

Pursuant to Alaska Statute 23.40.215, I am submitting the monetary terms of the collective bargaining agreement between the Board of Regents of the University of Alaska and the Alaska Classified Employees Association, represented by the APEA/AFT.

The enclosed memorandum from Marylou Burton, Director, Statewide Budget Development, University of Alaska, to Nancy Slagle, Director, Division of Budget Review, Office of Management and Budget, identifies the specific monetary terms applicable to this unit. Funding for these terms will be formally requested by the Office of Management and Budget. The monetary terms of a collective bargaining agreement are subject to funding by appropriation by the Legislature; if funding is not appropriated, the terms are considered disapproved and the parties to that agreement may resume negotiations or explore other options.

In accordance with AS 23.40.215(b), we respectfully request that the Legislature advise the parties by concurrent resolution of its approval or disapproval of this submission within 60 legislative days of receipt.

Sincerely,

  
Mark Boyer  
Commissioner

### Enclosure

cc: Annalee McConnell  
Director  
Office of Management and Budget

Pat Pourchot  
Legislative Liaison  
Office of the Governor

Marylou Burden  
Director  
Statewide Budget Development  
University of Alaska

Dianne M. Corso  
Division of Personnel  
Labor Relations Section

Marylou Burton  
Director  
Statewide Budget Development  
211B Bulovich Building  
P.O. Box 75580  
Fairbanks, Alaska 99775-5380  
(907) 474-6490  
(907) 474-5140 FAX



University of Alaska  
Statewide System of Higher Education

DATE: March 6, 1995

TO: Nancy Slagle, Director  
Division of Budget Review  
Office of Management and Budget

FROM: Marylou D. Burton, Director  
Statewide Budget Development

SUBJECT: New Legislation - Collective Bargaining Agreement

The University of Alaska requests that the Governor introduce legislation on its behalf to fund the monetary provisions of a newly established collective bargaining agreement between the University of Alaska and the University of Alaska Classified Employees Association (CEA). This contract, which is retroactive to January 1, 1995, was not in effect when the FY95 supplemental and FY96 budget request were developed. Furthermore, under AS 23.40.215(a) and the terms of the agreement the monetary provisions outlined in the agreement are not effective without separate legislative action.

This agreement has two basic monetary provisions. First, it approves a one-time payment of \$600 to each CEA member employed as of the date of the signing. Second, it establishes a grade/step wage schedule for CEA positions similar to the wage schedules used by the State and non-unionized University employees. This schedule provides for an orderly and equitable method of compensation, as well as "capping" the salary for any given grade.

The general fund impact of this agreement for FY95 is \$333,330 (\$338,229 total funds) and for FY96 is \$543,199 (\$551,221 total funds). This was calculated by evaluating and "placing" current employees on the new schedule, and then computing the costs of implementing the new wage schedule. Note that the FY95 calculations are based on the effective date of January 1, 1995, and that both FY95 and FY96 estimates include incremental costs only.

A cost worksheet (based on PACS data) is attached. Also attached is suggested language for the legislation. Please let me know if I can provide any further information.

"An Act making appropriations to satisfy the agreed upon monetary terms of a collective bargaining agreement for certain employees of the University of Alaska, and providing for an effective date."

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

\*Section 1. The sum of \$338,229 is appropriated to the University of Alaska to satisfy the monetary terms of the collective bargaining agreement entered into with the University of Alaska Classified Employees Association bargaining unit for the period January 1, 1995 through June 30, 1995, from the following sources:

SOURCE	AMOUNT
Federal Receipts	\$ 1,744
General Fund	333,330
Intra-Agency Receipts	266
Auxiliary Receipts	1,253
Student Fees	787
University Receipts	849

\*Section 2. The sum of \$551,221 is appropriated to the University of Alaska to satisfy the monetary terms of the collective bargaining agreement entered into with the University of Alaska Classified Employees Association bargaining unit for the fiscal year ending June 30, 1996, from the following sources:

SOURCE	AMOUNT
Federal Receipts	\$ 2,681
General Fund	543,199
Intra-Agency Receipts	433
Auxiliary Receipts	1,869
Student Fees	1,411
University Receipts	1,628

\*Section 3. The unexpended and unobligated balance of the appropriation made by Section 1 of this Act lapses into the funds from which it was appropriated, June 30, 1995.

\*Section 4. The unexpended and unobligated balance of the appropriation made by Section 2 of this Act lapses into the funds from which it was appropriated, June 30, 1996.

\*Section 5. This Act takes effect immediately under AS 01.10.070(c).

Cost of UA/CBA Collective Bargaining Agreement

	1993 Base		1993 Increase		Total	1996 Base				1996 Increase		Total
	Classroom	Other	Article 4	Other		Classroom	Article 4	Other	Other	1996	1996	
Salaries	1,145,411	474,915	144,682	12,000	279,000	6,278,314	147,223	14,721	149,600	364,011	8,376,114	448,911
Benefits	1,311,091	51,818	0	3,300	28,317	2,504,972	41,297	1,129	0	47,426	2,602,113	121,384
Total Salaries & Benefits	2,456,502	526,733	144,682	15,300	307,317	8,783,286	188,520	15,850	149,600	411,437	10,978,227	570,295

Increase by MAU

SYSTEMWIDE

Contract Required Funding Items:

UAA

Salaries	4,841,300	39,362	16,000	3,240	29,244
Benefits	816,698	35,441	0	1,411	11,720
Total Salaries & Benefits	2,777,997	33,611	15,000	1,831	91,632

UAF

Salaries	5,795,531	76,455	91,600	1,624	177,525
Benefits	2,411,689	57,208	0	1,308	21,341
Total Salaries & Benefits	8,207,220	109,209	91,600	1,832	216,500

UAS

Salaries	600,530	49,189	12,000	1,601	21,621
Benefits	262,207	1,630	0	401	14,111
Total Salaries & Benefits	862,737	50,819	12,000	1,802	35,732

	1996 Base	1996 Increase	1996 Total	1996 Request		
UAA	1,948,748	43,333	4,333	47,344	2,016,654	83,353
UAF	3,623,233	85,238	8,622	94,860	3,747,003	171,239
UAS	410,525	12,462	1,341	13,710	424,235	24,103
Total	5,982,506	141,033	14,296	155,914	6,152,714	278,695

Funding-UACBA Collective Bargaining Agreement

1995

Admin/Executives	1,244
Contract Fund	311,500
Inst Agency Executive	266
Academy Executive	1,253
Student Fee	787
University Receipts	322
Total Request	355,212

1996

Admin/Executives	2,761
Contract Fund	311,500
Inst Agency Executive	433
Academy Executive	1,169
Student Fee	1,411
University Receipts	1,224
Total Request	520,298

\*Other Required Funding Items:

a) Article 4 - Mandatory Alternative Dispute Resolution Training	25,000
b) Article 7 - Mandatory Total Quality Management Work Teams	21,300
c) Article 10.2 - Tobacco	1,000
d) Article 11 - Mandatory Academic Staff Union	25,000
e) Article 15.1 - Health, Dental, Vision, Accident and Sickness Insurance Plan Options	70,000
f) Article 15.9 - Paid Absence	3,000
Total	145,300

MAR-07-96 TUE 10:29

LEADERSHIP

FAA NO. 907550103

Power Cost

Equalization

Program

Hearings

**HFIN**

**FILE**



# Alaska State Legislature

Official Business

State Capitol  
Juneau, AK 99801-1182

DATE: March 8, 1996

TO: Members of the House/Senate Finance Committees

FROM: *Frank* Senators Frank and Halford  
*Harley* Representatives Harley and Foster  
*Foster* Co - Chairs, Finance Committees

RE: PCE Hearing

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Enclosed is a preliminary packet of information regarding the Power Cost Equalization (PCE) program. Please bring this packet to the joint finance committee meeting Thursday 9 a.m., March 14th in Senate Finance chambers.

The PCE program is funded through annual appropriations from the Power Cost Equalization and Rural Electric Capitalization Fund. Projections based upon current withdrawal rates suggest that the fund would be depleted, for all intents, following the FY 99 appropriation. This situation warrants our collective attention. Accordingly, the finance committee chairs have taken the initiative to provide a forum for the administration and the Alaska Rural Electric Cooperatives Association (ARECA) to present recommendations for consideration.

Following an introduction of guests by Mr. Dave Hutchens, ARECA, Mr. Brad Reeves, General Manager, Kotzebue Electric Cooperative, will briefly review the PCE program. Commissioner Mike Irwin, DCRA and Mr. Percy Frisby, Director of the Division of Energy, DCRA, will summarize current operations and FY 97 proposed funding levels. Mr. Reeves will then present a recommendation for administrative and legislative consideration.

**JT HOUSE & SENATE FINANCE MEETING  
MARCH 14, 1996  
9:00 AM**

**POWER COST EQUALIZATION**

- Section A**      **Cost Reduction Options  
Report to the Commissioner (Draft)**
- Section B**      **Impact of Funding Reduction to 85%  
of Program Requirements**
- Section C**      **FY95 Disbursements by House District**
- Section D**      **Legislative History of the PCE Program**
- Section E**      **Legislative History of PCE, 1986 Update**

**Distributed by  
Representative Richard Foster  
Co-Chair, House Finance**

**A**

**POWER COST EQUALIZATION PROGRAM**

**COST REDUCTION OPTIONS  
REPORT TO THE COMMISSIONER  
(DRAFT)**

**Prepared by  
Department of Community & Regional Affairs  
Division of Energy**

**Jt House & Senate Finance Meeting  
March 14, 1996**

**Distributed by  
Representative Richard Foster  
Co-Chair, House Finance**

**DRAFT**

**DEPARTMENT OF COMMUNITY AND REGIONAL  
AFFAIRS**

**DIVISION OF ENERGY**

**POWER COST EQUALIZATION PROGRAM**

**COST REDUCTION OPTIONS  
REPORT TO THE COMMISSIONER**

**OCTOBER 25, 1995**

**Percy Frisby  
Director**

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## POWER COST EQUALIZATION PROGRAM COST REDUCTION REPORT TO THE COMMISSIONER

This report has been prepared in response to the current financial situation of the Power Cost Equalization (PCE) and Rural Electric Capitalization Fund. This fund, which was established under the same legislation that transferred the PCE program from the Alaska Energy Authority to the Department of Community and Regional Affairs, Division of Energy (Division), is in a critical situation if it is to comply with Chapter 18 SLA 1993, which states the Legislature's intent to fund the Power Cost Equalization and Rural Electric Capitalization Fund through 2013. In this report, various options for reducing the cost of the program will be presented. In the appendix, three scenarios of the fund will be presented which will project funding requirements should the program remain unchanged or reduce its outlay modestly. It is the intention of this report to be fiscally and socially responsible.

As can be seen in Figure 1., at the beginning of FY 96, the PCE fund had a balance of \$63,085,000. At current spending levels, and allowing for a modest increase in spending, the PCE program requirements are expected to exhaust the fund in the first half of FY 2000. This scenario assumes that the Four Dam Pool Transfer Fund allocations will continue into the future. If not, then the fund will be depleted near mid FY 99, three years from now.

*Figure 1.*

	1996	1997	1998	1999	2000	2001
<b>Beginning Fund Balance</b>	<b>\$63,085</b>	<b>\$47,744</b>	<b>\$33,288</b>	<b>\$18,182</b>	<b>\$2,372</b>	<b>\$0</b>
PCE/REC Fund Investment Income	2,898	2,288	1,499	674	0	0
Four Dam Pool (FDP) Transfer Fund	2,547	4,462	4,562	4,634	4,706	4,773
<b>Total</b>	<b>5,445</b>	<b>6,750</b>	<b>6,061</b>	<b>5,308</b>	<b>4,706</b>	<b>4,773</b>
PCE Outlay	19,386	19,774	20,169	20,573	7,007	4,773
Rural Electric Grants (3% of balance)	1,400	1,432	998	545	71	0
<b>Total</b>	<b>20,786</b>	<b>21,206</b>	<b>21,167</b>	<b>21,118</b>	<b>7,078</b>	<b>4,773</b>
<b>Surplus (Shortage) = (2-3)</b>	<b>(15,341)</b>	<b>(14,456)</b>	<b>(15,108)</b>	<b>(15,810)</b>	<b>(2,372)</b>	<b>0</b>
<b>Ending Fund Balance</b>	<b>\$47,744</b>	<b>\$33,288</b>	<b>\$18,182</b>	<b>\$2,372</b>	<b>0</b>	<b>0</b>

In January 1992, the former Alaska Energy Authority prepared a report to the Alaska Legislature on various options to reduce the cost of the PCE program. Since that report, small changes have been made to the PCE program which have had a negligible impact on total program costs, which are currently budgeted at \$19,385,600 for FY 96. The end result is that the current program is going to need a major commitment of future funding to maintain the program as is, or, the program will require major revision to reduce its costs of operations in order to extend its life. In actuality, the program needs both.

In this report, the Division has examined various alternatives to reduce the cost of the PCE program. The Division has not examined additional sources of funding for the PCE program, outside of legislative appropriation. Our analysis has included options to revise the formula used in rate calculations and the exclusion of user classes from program participation.

To understand the basis of formula revisions, it is important to understand the basis of determining the underlying PCE rate. There are five elements that enter into the calculation of the PCE rate:

1. The utility's total eligible costs. These consist of all costs considered verifiable and reasonable by the Alaska Public Utilities Commission (APUC) and include such items as fuel, lubricants, maintenance, depreciation, insurance, utility management, etc.
2. The utility's total sales. This figure is important because the fixed costs of the utility's plant is absorbed into the utility's base rate calculation. More sales lead to a lower fixed cost per kWh sold.
3. The PCE "floor". That is, the minimum rate that must be paid by all consumers after PCE reimbursement. AS 42.45.100(a)(1) addresses the purpose of the PCE program, which is to equalize "...power cost per kilowatt-hour statewide at a cost close or equal to the mean of the cost per kilowatt-hour in Anchorage, Fairbanks and Juneau...".
4. The PCE "ceiling". That is, the maximum eligible costs to which PCE can be applied. Currently, this rate is set by statute at 52.5 cents per kilowatt hour (kWh).
5. The percentage of eligible costs between the floor and the ceiling that PCE will reimburse. The maximum percentage allowed by statute is 95%.

## **ALTERNATIVES FOR REDUCING PCE PROGRAM COSTS**

### **Eligible Costs**

Eligible costs are those which are considered verifiable and reasonable. Some of these costs have been reduced by using more stringent methods of determining eligibility. For example, generation efficiency standards have been implemented that take into account fuel consumption. If the utility consumes more fuel than the standards allow for the

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number of kWh produced, then the eligible fuel costs will be reduced to reflect amount of fuel the utility would have consumed had the efficiency standard been met.

Another way to reduce eligible costs is through improved production or management efficiency, or where possible, to help reduce prices faced by the utility such as the price of fuel. The Division continues to assist PCE utilities within the limits of available funds to effect such savings through a variety of strategies including the installation of more efficient generation and distribution systems, improved maintenance that extends equipment life and improves equipment efficiency. It also assists utilities with various strategies to reduce purchased fuel costs including installation of bulk fuel storage facilities, assistance in establishing bulk fuel cooperatives and loans for bulk fuel purchases. The Division is also working with utilities that are developing fully integrated fuel storage and electrical power generation and distribution systems.

#### Total Sales

While high fuel prices certainly contribute to the high cost of electrical generation, the absence of economies of scale explains at least an equal share of the problem. PCE rates would be substantially lower if over the long run utilities were able to substantially increase their sales and the increased sales were not eligible for PCE reimbursement.

While this appears to be a logical approach to reducing costs to the consumer, the reality is that where there are substantial commercial loads, many users find it more cost effective to produce their own power because of the high local rates. In many areas, residential loads are relatively low, and the opportunity to increase them will not exist until the cost of electricity is substantially reduced.

#### Raising the Minimum Floor Price per Kilowatt Hour

The PCE "floor" is the target rate for the entire PCE program and is based on the average cost per kilowatt-hour in Anchorage, Fairbanks and Juneau. The floor was established by statute the first year of the program (FY 1985) at 8.5 cents per kWh. The floor was subsequently changed to 9.5 cents per kWh in FY 94 and the APUC is currently proposing to increase the floor to 9.7 cents per kWh.

Increasing the PCE "floor" would reduce the cost of the program by changing the target of the program. One of the merits of this option is that the program would more accurately reflect the cost of producing electricity in the bush, versus trying to tie the cost of power directly to the urban areas. All PCE customers would share the impact equally.

The PCE "floor" price is calculated by the APUC as follows:

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Residential Sales within Fairbanks Anchorage & Juneau

Utility	(KWH)	(\$)	(\$/KWH)
AEL&P	132,265,000	\$11,432,911	0.0864
Chugach	448,105,080	\$44,041,352	0.0983
FMUS	28,181,236	\$2,766,667	0.0982
GVEA	45,806,100	\$4,490,584	0.0980
MEA	82,446,176	\$8,983,345	0.01091
ML&P	147,067,000	\$14,018,897	0.0953
<b>Total</b>	<b>883,870,592</b>	<b>\$85,733,756</b>	<b>0.0970</b>

Figure 2. below is an exercise demonstrating the impact of raising the floor of the program in .5 cent increments. For the purposes of the exercise, we have utilized FY 95 eligible kilowatt-hours of 133,807,042.

**Figure 2.**

Current Base	Cent Increase	Revised Base	Residential	Commercial	Community Facilities	Total Savings
9.5	0.5	10.0	\$451,000	\$87,187	\$130,847	\$669,035
9.5	1.0	10.5	\$902,001	\$174,375	\$261,695	\$1,338,070
9.5	1.5	11.0	\$1,353,001	\$261,562	\$392,542	\$2,007,106
9.5	2.0	11.5	\$1,804,002	\$348,750	\$523,389	\$2,676,141
9.5	2.5	12.0	\$2,255,002	\$435,937	\$654,237	\$3,345,176
9.5	3.0	12.5	\$2,706,002	\$523,125	\$785,084	\$4,014,211
9.5	3.5	13.0	\$3,157,003	\$610,312	\$915,931	\$4,683,246
9.5	4.0	13.5	\$3,608,003	\$697,500	\$1,046,779	\$5,352,282

The impact of raising the floor price of the program is that it does not differentiate between high and low users. It also does not differentiate between those who truly need assistance and those who don't.

**Lowering the Maximum Eligible Cost per Kilowatt Hour**

The maximum eligible cost per kilowatt-hour, or "ceiling", was established by statute in the first year of the program (FY 85). This amount has not been adjusted since program inception. Utility costs per kilowatt-watt hour above this ceiling are not eligible for PCE reimbursement.

Decreasing the maximum costs covered in calculating the PCE rate would lower the cost to the program. However, most of the costs are not attributable to utilities with rates that approach the existing "ceiling". Although this is a cost reduction that should be considered, all indications suggest that it would have a disproportionate impact on many of the smaller rural communities.

Figure 3, below illustrates the impact of decreasing the statutory maximum. Based upon the current formula, the maximum PCE a program participant could receive is 40.85 cent/kWh. If the statutory maximum was decreased from 52.5 cents/kWh to 42.5 cents/kWh, the PCE participants could receive no more than 31.35 cents/kWh. Therefore any utility currently receiving more than 31.35 cents/kWh would have their PCE level adjusted accordingly, so as not to exceed this maximum. Overall, because the average PCE rate is 14 cents/kWh, the reduction in the ceiling does not appear to have a significant impact on the program until the statutory maximum is substantially reduced.

*Figure 3.*

$52.5 - 9.5 = 43.0 \times 95\% =$	40.85
$42.5 - 9.5 = 33.0 \times 95\% =$	31.35
$32.5 - 9.5 = 23.0 \times 95\% =$	21.85
$22.5 - 9.5 = 13.0 \times 95\% =$	12.35

**Lowering the Percentage of Covered Eligible Costs per KWH**

The maximum percentage established by statute for PCE reimbursement of eligible costs is 95% and has been maintained since program inception. Program costs could be lowered by lowering the reimbursement percentage rate, which would therefore lower the PCE rate for all PCE consumers. This option would reduce the PCE expenditure percentage from 95% down to any number of options, say 90, 85, 80, 75 or 70%. This option does reduce the cost of the program and would effect all consumers equally. Projected savings of reducing the PCE reimbursement percentage based on the FY 96 appropriation is as follows:

*Figure 4.*

<u>Reimbursement Percentage</u>	<u>Program Costs</u>	<u>Savings</u>
95%	\$18,379,309	0
90%	\$17,408,296	\$ 971,013
85%	\$16,444,885	\$1,934,424
80%	\$15,481,475	\$2,897,834
75%	\$14,518,064	\$3,861,245
70%	\$13,541,273	\$4,838,036

The difficulty in administering the PCE program with a reduced reimbursement percentage is the way it treats all customers the same. The poverty level customer using 150 kWh per month would lose the same percentage of PCE as the heaviest user in the community. If PCE is to be utilized to assist in a basic lifestyle, then this option does not do so.

**Delete Eligibility for Commercial Users                      Projected Savings    \$2,395,158**

In the past it has been argued that any cuts to the PCE program should first be borne by commercial PCE customers. Implementation of PCE regulations FY 89 eliminated multiple meters. Additional changes were implemented in FY 94 that reduced the maximum eligible to 700 kWh per month and eliminated state and federal office/facilities. The net result has been a reduction in the percentage of the program utilized for commercial customers from 21% to approximately 13%.

The FY 95 PCE Statistics Report shows that the annual eligible commercial load was 17,521,632 kWh for 5,422 commercial customers, or monthly average of 305 kWh (17,521,632/5,422/12=269). At an average FY 95 PCE rate of 14 cents per kWh, that represents \$37.66 per business per month, an amount that is arguably insignificant. However, the actual distribution figures are not readily available.

**Delete Eligibility for Schools    Total Savings \$181,987**

In previous years, consideration was given to the elimination of public schools as an eligible commercial customer, however, they were not excluded. Elimination of public schools would result in modest savings for the program and should be addressed.

**Lowering the Maximum Eligible Kilowatt Hours**

Probably the area where the most impact can be made on the overall cost of the PCE program is in the area of the maximum eligible kilowatt hours allowed per residential customer. The Division analyzed the data from thirteen of the largest utilities, representing approximately 70% of PCE customers. These utilities provided the Division data from one high consumption month (December 1994) and from one low consumption month (June 1995) and from this data, the Division calculated an average usage month.

The data collected was organized to demonstrate projected program savings as the maximum eligible kWh was lowered from 700 kWh to 500, 400, 300 and 200 kWh per month. As can be seen in Figure 5. below, substantial program savings are not achieved until the maximum eligible kWh is lowered from 700 kWh to 300 kWh per month. At which time the program would save approximately 35%, or \$4,586,000. Bear in mind that the average eligible monthly PCE consumption value for residential customers

during FY 95 was 334 kWh. While a further reduction to 200 kWh would achieve substantial savings, the cuts would most likely have a devastating impact on many rural customers.

The advantage of reducing the maximum eligible kWh is that it would more approximate a needs based program. While all customers would still be eligible for some PCE, the program would be modified to assist in providing a basic level of electrical service. From previous studies, Alaskans most in need are already using less energy and therefore would be impacted very little, if at all. Those customers who can afford to use more power still are able to have some assistance for a basic level of service, however, they would be required to pay for a higher consumption lifestyle.

**Figure 5.**

Eligible kWh Allowed	% Reduction Program Costs	Total Program Savings
500kWh	10.10%	\$1,318,116
400kWh	19.69%	\$2,569,674
300kWh	35.14%	\$4,586,000
200kWh	52.74%	\$6,882,915

It is clear from the above that reducing the maximum eligible kilowatts to somewhere between 300kWh and 400kWh would substantially reduce the cost of the program, thereby extending the life of the PCE fund, and PCE would still provide a basic subsistence level of subsidy.

**Reduce Legislative Request**

The simplest way to reduce the cost of the program is to request less funding in any given fiscal year. If the goal was to save 40% of the program costs, the request could be put forward as 40% less than what the funding requirements would be if the program was funded at 100%.

The advantage of this method is that you would know exactly what the funding would be and the program administrator would adjust PCE payments accordingly; each customer would receive 40% less. The disadvantage is that it would hit all classes of customer regardless of any other criteria such as consumption level. The poverty class consumer would receive the same percentage cut as the person using the maximum eligible kWh.

**Prioritizing Customer Eligibility**

From a historic perspective Community Facilities are the fastest growing customer category receiving PCE funding. Figure 6. below summarizes the consumption of each customer class since FY88 and the corresponding percentage for the category.

*Figure 6.*

Fiscal Year	Residential Eligible kWh		Commercial Eligible kWh		Community Facilities Eligible kWh		Total
FY88	77,680,953	64.99%	24,880,361	20.82%	16,964,191	14.19%	119,525,505
FY89	79,626,166	65.41%	25,905,395	21.28%	16,200,763	13.31%	121,732,324
FY90	85,101,432	65.33%	27,150,456	20.84%	18,004,419	13.82%	130,256,307
FY91	86,066,286	65.82%	24,998,992	19.12%	19,703,287	15.07%	130,768,565
FY92	82,434,414	66.38%	19,574,309	15.76%	22,184,712	17.86%	124,193,435
FY93	84,891,516	66.38%	19,654,897	15.37%	23,331,451	18.25%	127,877,864
FY94	88,044,035	67.61%	17,810,060	13.68%	24,360,570	18.71%	130,214,665
FY95	90,460,362	67.32%	17,497,427	13.02%	26,414,122	19.66%	134,371,911

An increase in the number of communities participating in the program, increased construction of new housing units, and/or a basic 2% increase in annual consumption easily explains the modest increase in residential consumption.

As demonstrated above, savings in commercial consumption are substantially offset by the increase in community facility consumption. Without the elimination of State and Federal offices/facilities and multiple meters, the cost to the program would be substantially greater.

This option would rank in the order of priority the various customer classifications. Residential customers would receive the first, or greatest, priority should funding availability continue to decline. Secondly, the State and Federal governments have invested and continue to invest large sums of money for the development and maintenance of sanitation facilities in rural Alaska. These facilities demand a major amount of electrical consumption for their operation and create a major expenditure for the community. Considering the State's investment in these facilities, it would be detrimental for these communities to suddenly lose PCE funding. To protect this investment, the definition of "Community Facility" should be redefined to limit eligibility to facilities essential to life, health and safety. This definition would include water and sewer facilities, public outdoor lighting, community washeteria, firehall, health clinic and village public safety office.

## APPENDIX

The following projected cash flows illustrate what would happen to the Power Cost Equalization and Rural Electric Capitalization Fund if the following scenarios materialized:

- A. The program operating until the year 2013, with no additional appropriations from the legislature. PCE would be paid out at 62.6% of current rates for a total of \$7.25 million, increasing at 2% per annum.
- B. The program is continued as is, with annual appropriations of \$12.2 million, increasing at 2% per annum sufficient to allow the fund to operate until the year 2013.
- C. The program cuts only schools and commercial customers and receives annual appropriations of \$9.3 million, increasing at 2% per annum.

# Power Cost Equalization (PCE) and Rural Electric Capitalization (REC) Fund

Projected Cash Flow  
as of October 25, 1995

## Major Proposed Changes:

- \*No annual appropriation to sustain fund.
- \*PCE program pays all customers at a rate to extend fund to 2013.

	1996	1997	1998	1999	2000	2001	2002
<b>Fund Balance at beginning of Fiscal Year</b>	\$63,085	\$47,884	\$46,300	\$44,634	\$42,851	\$40,947	\$38,909
<b>Revenue</b>							
Transfer from General Fund	0	0	0	0	0	0	0
1 PCE/REC Fund Investment Income	3,038	2,640	2,556	2,465	2,369	2,265	2,161
2 Four Dam Pool (FDP) Transfer Fund allocation	2,647	4,462	4,562	4,634	4,706	4,773	4,846
<b>Total</b>	<b>5,685</b>	<b>7,102</b>	<b>7,118</b>	<b>7,099</b>	<b>7,075</b>	<b>7,038</b>	<b>6,979</b>
<b>Expenditure</b>							
3 PCE Outlay	19,386	7,260	7,395	7,543	7,694	7,848	8,006
Rural Electric Grants (3% of balance)	1,400	1,437	1,389	1,339	1,286	1,228	1,167
<b>Total</b>	<b>20,786</b>	<b>8,697</b>	<b>8,784</b>	<b>8,882</b>	<b>8,979</b>	<b>9,076</b>	<b>9,173</b>
<b>Surplus (Shortage) = (2-3)</b>	<b>(15,201)</b>	<b>(1,584)</b>	<b>(1,666)</b>	<b>(1,783)</b>	<b>(1,904)</b>	<b>(2,038)</b>	<b>(2,194)</b>
<b>Fund Balance at end of Fiscal Year = (1 + 2-3)</b>	<b>\$47,884</b>	<b>\$46,300</b>	<b>\$44,634</b>	<b>\$42,851</b>	<b>\$40,947</b>	<b>\$38,909</b>	<b>\$36,716</b>

## Reduction of PCE Credit to Residential Consumer

	Current Rate	Reduction Amount	New Rate
Kwig	0.2353	0.1473	0.0880
Bethel	0.1025	0.0642	0.0383

## Assumptions:

1. Interest assumed at 5.5% per annum.
2. FY95 reflects actual FDP Transfer Fund allocation (40% of total debt service). Following years allocations are estimated. However, this revenue may be interrupted due to lack of legislative appropriation for allocation of monies from the FDP Transfer Fund, or lack of revenue to the FDP Transfer Fund itself.
3. PCE outlay assumed to grow at 2% per annum.

**Power Cost Equalization (PCE) and Rural Electric Capitalization (REC) Fund**  
**Pro Forma Cash Flow**  
**as of October 25, 1995**

**Major Proposed Changes:**

\*Annual general fund appropriation of \$9.3 million increasing by 2% per year.

\*PCE program eliminates schools and commercial customers.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$36,653	\$34,254	\$31,656	\$28,842	\$25,807	\$22,545	\$19,046	\$15,303	\$11,305	\$7,040	\$2,500
10,473	10,683	10,898	11,114	11,337	11,563	11,795	12,031	12,271	12,517	12,767
2,308	2,180	2,042	1,892	1,730	1,555	1,368	1,168	954	725	482
4,848	4,873	4,891	4,912	4,934	4,958	4,982	5,005	5,027	5,050	5,074
17,629	17,736	17,829	17,918	18,000	18,077	18,145	18,204	18,252	18,292	18,323
18,929	19,307	19,693	20,087	20,489	20,899	21,317	21,743	22,178	22,621	23,074
1,100	1,028	950	866	774	676	571	459	339	211	75
20,028	20,335	20,643	20,952	21,263	21,575	21,888	22,202	22,517	22,833	23,149
(2,399)	(2,599)	(2,814)	(3,034)	(3,263)	(3,498)	(3,743)	(3,998)	(4,265)	(4,541)	(4,826)
\$34,254	\$31,656	\$28,842	\$25,807	\$22,545	\$19,046	\$15,303	\$11,305	\$7,040	\$2,500	(\$2,326)

**Power Cost Equalization (PCE) and Rural Electric Capitalization (REC) Fund**  
**Pro Forma Cash Flow**  
**as of October 25, 1995**

**Major Proposed Changes:**

- \* Annual general fund appropriation of \$12.2 million increasing by 2% per year.
- \* PCE expenditure to continue as is, increasing 2% per year.

	1996	1997	1998	1999	2000	2001	2002
<b>Fund Balance at beginning of Fiscal Year</b>	<b>\$63,085</b>	<b>\$47,884</b>	<b>\$46,303</b>	<b>\$44,640</b>	<b>\$42,860</b>	<b>\$40,959</b>	<b>\$38,924</b>
<b>Revenue</b>							
1 Transfer from General Fund	0	12,200	12,444	12,693	12,947	13,206	13,470
2 PCE/REC Fund Investment Income	3,038	2,967	2,889	2,806	2,716	2,619	2,515
3 Four Dam Pool (FDP) Transfer Fund allocation	2,547	4,462	4,562	4,634	4,706	4,773	4,826
<b>Total</b>	<b>6,685</b>	<b>19,629</b>	<b>19,895</b>	<b>20,132</b>	<b>20,369</b>	<b>20,598</b>	<b>20,811</b>
<b>Expenditure</b>							
4 PCE Outlay	19,386	19,774	20,169	20,573	20,984	21,404	21,822
Rural Electric Grants (3% of balance)	1,400	1,437	1,389	1,339	1,286	1,229	1,168
<b>Total</b>	<b>20,786</b>	<b>21,210</b>	<b>21,558</b>	<b>21,912</b>	<b>22,270</b>	<b>22,632</b>	<b>23,000</b>
<b>Surplus (Shortage) = (2-3)</b>	<b>(15,201)</b>	<b>(1,581)</b>	<b>(1,663)</b>	<b>(1,780)</b>	<b>(1,901)</b>	<b>(2,035)</b>	<b>(2,189)</b>
<b>Fund Balance at end of Fiscal Year = (1 + 2-3)</b>	<b>\$47,884</b>	<b>\$46,303</b>	<b>\$44,640</b>	<b>\$42,860</b>	<b>\$40,959</b>	<b>\$38,924</b>	<b>\$36,735</b>

Reduction of PCE Credit to Residential Consumer

	300kWh	400kWh	500kWh
Kwig	No impact on Residential Rates		
Bethal	No impact on Residential Rates		

**Assumptions:**

1. Transfer from general fund assumed to increase at 2% per year.
2. Interest assumed at 5.5% per annum.
3. FY95 reflects actual FDP Transfer Fund allocation (40% of total debt service). Following years allocations are estimated. However, this revenue may be interrupted due to lack of legislative appropriation for allocation of monies from the FDP Transfer Fund, or lack of revenue to the FDP Transfer Fund itself.
4. PCE outlay assumed to grow at 2% per annum.

DRAFT

**Power Cost Equalization (PCE) and Rural Electric Capitalization (REC) Fund**

**Projected Cash Flow**

**as of October 25, 1995**

**Major Proposed Changes:**

\*No annual appropriation to sustain fund.

\*PCE program pays all customers at a rate to extend fund to 2013.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$36,716	\$34,329	\$31,743	\$28,942	\$25,921	\$22,673	\$19,189	\$15,461	\$11,479	\$7,230	\$2,707
0	0	0	0	0	0	0	0	0	0	0
2,031	1,899	1,755	1,600	1,433	1,263	1,061	855	635	401	152
4,848	4,873	4,891	4,912	4,934	4,958	4,982	5,005	5,027	5,050	5,074
6,879	6,772	6,646	6,512	6,387	6,211	6,043	5,860	5,662	5,451	5,226
8,166	8,328	8,495	8,664	8,838	9,014	9,195	9,379	9,566	9,758	9,953
1,101	1,030	952	868	778	680	576	464	344	217	81
9,266	9,358	9,447	9,533	9,616	9,696	9,770	9,842	9,911	9,974	10,034
(2,387)	(2,586)	(2,801)	(3,021)	(3,249)	(3,484)	(3,728)	(3,983)	(4,248)	(4,523)	(4,808)
\$34,329	\$31,743	\$28,942	\$25,921	\$22,673	\$19,189	\$15,461	\$11,479	\$7,230	\$2,707	(\$2,101)

# Power Cost Equalization (PCE) and Rural Electric Capitalization (REC) Fund

Pro Forma Cash Flow

as of October 25, 1995

## Major Proposed Changes:

\* Annual general fund appropriation of \$9.3 million increasing by 2% per year.

\* PCE program eliminates schools and commercial customers.

	1996	1997	1998	1999	2000	2001	2002
<b>Fund Balance at beginning of Fiscal Year</b>	<b>\$63,085</b>	<b>\$47,884</b>	<b>\$46,290</b>	<b>\$44,615</b>	<b>\$42,821</b>	<b>\$40,907</b>	<b>\$38,858</b>
<b>Revenue</b>							
1 Transfer from General Fund	0	9,300	9,486	9,676	9,869	10,067	10,268
2 PCE/REC Fund Investment Income	3,038	2,889	2,809	2,723	2,631	2,532	2,436
3 Four Dam Pool (FDP) Transfer Fund allocation	2,547	4,462	4,562	4,634	4,706	4,773	4,846
<b>Total</b>	<b>5,585</b>	<b>16,651</b>	<b>16,857</b>	<b>17,032</b>	<b>17,207</b>	<b>17,372</b>	<b>17,549</b>
<b>Expenditure</b>							
4 PCE Outlay	19,386	16,808	17,144	17,487	17,837	18,194	18,557
Rural Electric Grants (3% of balance)	1,400	1,437	1,389	1,338	1,285	1,227	1,166
<b>Total</b>	<b>20,786</b>	<b>18,245</b>	<b>18,533</b>	<b>18,825</b>	<b>19,121</b>	<b>19,421</b>	<b>19,723</b>
<b>Surplus (Shortage) = (2-3)</b>	<b>(15,201)</b>	<b>(1,594)</b>	<b>(1,676)</b>	<b>(1,793)</b>	<b>(1,915)</b>	<b>(2,049)</b>	<b>(2,204)</b>
<b>Fund Balance at end of Fiscal Year = (1 + 2-3)</b>	<b>\$47,884</b>	<b>\$46,290</b>	<b>\$44,615</b>	<b>\$42,821</b>	<b>\$40,907</b>	<b>\$38,858</b>	<b>\$36,653</b>

## Reduction of PCE Credit to Residential Consumer

	300kWh	400kWh	500kWh
Kwig	No impact on Residential Rates		
Bethel	No Impact on Residential Rates		

## Assumptions:

1. Transfer from general fund assumed to increase at 2% per year.
2. Interest assumed at 5.5% per annum.
3. FY95 reflects actual FDP Transfer Fund allocation (40% of total debt service). Following years allocations are estimated. However, this revenue may be interrupted due to lack of legislative appropriation for allocation of monies from the FDP Transfer Fund, or lack of revenue to the FDP Transfer Fund itself.
4. PCE outlay assumed to grow at 2% per annum.

**Power Cost Equalization (PCE) and Rural Electric Capitalization (REC) Fund**  
**Pro Forma Cash Flow**  
**as of October 25, 1995**

**Major Proposed Changes:**

\* Annual general fund appropriation of \$12.2 million increasing by 2% per year.

\* PCE expenditure to continue as is, increasing 2% per year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$36,735	\$34,352	\$31,770	\$28,973	\$25,956	\$22,712	\$19,233	\$15,510	\$11,532	\$7,289	\$2,771
13,739	14,014	14,294	14,580	14,872	15,169	15,473	15,782	16,098	16,420	16,748
2,400	2,276	2,139	1,992	1,833	1,661	1,477	1,280	1,069	844	604
4,848	4,873	4,891	4,912	4,934	4,958	4,982	5,005	5,027	5,050	5,074
20,987	21,162	21,324	21,484	21,638	21,788	21,932	22,067	22,194	22,313	22,426
22,260	22,714	23,168	23,631	24,104	24,586	25,078	25,579	26,091	26,613	27,145
1,102	1,031	953	869	779	681	577	465	346	219	83
23,370	23,744	24,121	24,501	24,883	25,267	25,655	26,045	26,437	26,831	27,228
(2,383)	(2,582)	(2,797)	(3,017)	(3,244)	(3,479)	(3,723)	(3,978)	(4,243)	(4,518)	(4,802)
\$34,352	\$31,770	\$28,973	\$25,956	\$22,712	\$19,233	\$15,510	\$11,532	\$7,289	\$2,771	(\$2,031)

**POWER COST EQUALIZATION PROGRAM**

**IMPACT OF FUNDING REDUCTION TO 85%  
OF PROGRAM REQUIREMENTS  
(Sample Year FY95)**

Prepared by  
Department of Community & Regional Affairs  
Division of Energy

Jt House & Senate Finance Meeting  
March 14, 9:00 AM

Distributed by  
Representative Richard Foster  
Co-Chair, House Finance

**Department of Community and Regional Affairs  
Division of Energy**

**Power Cost Equalization Program  
Impact of Funding Reduction to 85% of Program Requirements  
(Sample year FY95)**

Utility/Community	Elect Dist.	FY95 Program Requirements	15% Reduction	85% of FY95 Program Requirements
Angoon	5	212,141.24	31,821.19	180,320.05
Chilkat Valley	5	46,158.84	6,923.83	39,235.01
Coffman Cove	5	80,788.86	12,118.33	68,670.53
Craig	5	259,194.67	38,879.20	220,315.47
Hollis	5	11,735.83	1,760.37	9,975.46
Hoonah	5	423,169.53	63,475.43	359,694.10
Hydaburg	5	55,246.75	8,287.01	46,959.74
Kake	5	223,962.23	48,594.33	275,367.90
Kasaan	5	22,884.72	3,432.71	19,452.01
Klawock	5	354,451.00	53,167.65	301,283.35
Skagway	5	103,819.75	15,572.96	88,246.79
Whale Pass	5	1,030.43	154.56	875.87
Elfin Cove Electric Utility	5	23,808.42	3,571.26	20,237.16
Gustavus Electric Company	5	296,666.09	44,499.91	252,166.18
Haines Light & Power Company, Inc.	5	213,252.66	31,987.90	181,264.76
Pelican Utility Company	5	12,062.43	1,809.36	10,253.07
Tenakee Springs Electric Utility	5	52,328.15	7,849.22	44,478.93
Thorne Bay Public Utility	5	40,786.58	6,117.99	34,668.59
Yakutat, City of	5	173,845.02	26,076.75	147,768.27
<b>Subtotal Election District 5</b>		<b>2,707,333.20</b>	<b>406,099.98</b>	<b>2,301,233.22</b>
Old Harbor	6	135,982.21	20,397.33	115,584.88
Akhiok, City of	6	12,695.86	1,904.38	10,791.48
Alutiiq Power Company (Karluk)	6	25,782.23	3,867.33	21,914.90
Larsen Bay Utility Company	6	14,560.00	2,184.00	12,376.00
Ouzinkie, City of	6	56,882.22	8,532.33	48,349.89
<b>Subtotal Election District 6</b>		<b>245,902.52</b>	<b>36,885.38</b>	<b>209,017.14</b>
Chenega Bay IRA Village Council	35	20,776.99	3,116.55	17,660.44
Cordova Electric Association	35	725,843.28	108,876.49	616,966.79
Tatitlek Electric Utility	35	8,242.08	1,236.31	7,005.77
<b>Subtotal Election District 35</b>		<b>754,862.35</b>	<b>113,229.35</b>	<b>641,633.00</b>

Allakacet/Alatna	36	9,818.65	1,472.80	8,345.85
Anvik	36	49,070.68	7,360.60	41,710.08
Bettles	36	54,223.89	8,133.58	46,090.31
Chauthbaluk	36	47,170.22	7,075.53	40,094.69
Chistochina	36	27,319.53	4,097.93	23,221.60
Crooked Creek	36	58,640.35	8,796.05	49,844.30
Dot Lake	36	14,593.99	2,189.10	12,404.89
Grayling	36	83,191.50	12,478.73	70,712.78
Healy Lake	36	10,390.96	1,558.64	8,832.32
Holy Cross	36	118,552.21	17,782.83	100,769.38
Huslia	36	92,560.54	13,884.08	78,676.46
Kaltag	36	98,218.94	14,732.84	83,486.10
Lower Kalskag	36	88,941.34	13,341.20	75,600.14
Marshall	36	125,844.61	18,876.69	106,967.92
Mentasta	36	18,196.53	2,729.48	15,467.05
Minto	36	112,665.04	16,899.76	95,765.28
Nulato	36	150,648.78	22,597.32	128,051.46
Pilot Station	36	151,422.43	22,713.36	128,709.07
Red Devil	36	22,202.36	3,330.35	18,872.01
Russian Mission	36	67,018.16	10,052.72	56,965.44
Shageluk	36	58,986.95	8,848.04	50,138.91
Sleetmute	36	46,640.96	6,996.14	39,644.82
Stony River	36	23,150.99	3,472.65	19,678.34
Tetlin	36	20,468.07	3,070.21	17,397.86
Tok	36	238,509.47	35,776.42	202,733.05
Upper Kalskag	36	60,687.22	9,103.08	51,584.14
Aniak Light & Power Company, Inc.	36	255,583.01	38,337.45	217,245.56
Beaver Joint Utility	36	37,868.08	5,680.21	32,187.87
Birch Creek Village Electric Utility	36	2,809.52	421.43	2,388.09
Chalkyitsik Energy Systems	36	6,080.43	912.06	5,168.37
Chitina Electric, Inc.	36	36,606.10	5,490.92	31,115.19
Circle Electric Utility	36	53,151.60	7,972.74	45,178.86
Eagle Power Company	36	100,659.47	15,098.92	85,560.55
Far North Utilities (Central)	36	60,367.82	9,055.17	51,312.65
Galena, City of	36	141,774.87	21,266.23	120,508.64
Gwitchyaa Zhec Utilities (Ft. Yukon)	36	166,188.39	24,928.26	141,260.13
Koyukuk, City of	36	12,506.31	1,875.95	10,630.36
Manley Utility Corporation	36	71,254.79	10,688.22	60,566.57
McGrath Light & Power	36	294,298.40	44,144.76	250,153.64
Nikolai Light & Power	36	69,348.10	10,402.22	58,945.89
Northway Power & Light	36	86,066.13	12,909.92	73,156.21
Rampart Village Energy Systems	36	1,383.80	207.57	1,176.23
Ruby, City of	36	67,653.07	10,147.96	57,505.11
Stevens Village Energy Systems	36	18,579.94	2,786.99	15,792.95
Takotna Community Association	36	38,261.28	5,739.19	32,522.09
Tanana Power Company	36	83,232.44	12,484.87	70,747.57
<b>Subtotal Election District 36</b>		<b>3,452,807.92</b>	<b>517,921.19</b>	<b>2,934,886.73</b>
Ambler	37	164,956.68	24,743.50	140,213.18
Anaktuvuk Pass	37	36,719.95	5,507.99	31,211.96
Atkasuk	37	31,000.50	4,650.08	26,350.43

Kaktovik	37	30,823.27	4,623.49	26,199.78
Kiana	37	173,627.61	26,044.14	147,583.47
Kivalina	37	106,490.96	15,973.64	90,517.32
Noatak	37	170,337.01	25,550.55	144,786.46
Noorvik	37	230,557.61	34,583.64	195,973.97
Nuiqsut	37	39,916.54	5,987.48	33,929.06
Point Hope	37	59,493.45	8,924.02	50,569.43
Point Lay	37	23,578.15	3,536.72	20,041.43
Selawik	37	192,053.27	28,807.99	163,245.28
Shishmaref	37	187,467.55	28,120.13	159,347.42
Shungnak	37	125,503.08	18,825.46	106,677.62
Wainwright	37	51,534.14	7,730.12	43,804.02
Wales	37	75,375.07	11,306.26	64,068.81
Buckland, City of	37	35,238.18	5,285.73	29,952.45
Diomedea Joint Utilities	37	68,770.20	10,315.53	58,454.67
Ipitchiaq Electric Company (Deering)	37	66,131.11	9,919.66	56,211.38
Kobuk Valley Electric Cooperative	37	42,799.36	6,419.90	36,379.46
Kotzebue Electric Association	37	547,370.68	82,105.60	465,265.08
<b>Subtotal Election District 37</b>		<b>2,459,744.30</b>	<b>368,961.65</b>	<b>2,090,782.66</b>

Alakanuk	38	116,100.34	17,415.05	98,685.29
Andreafsky	38	54,856.84	8,228.53	46,628.31
Brevig Mission	38	61,113.70	9,167.06	51,946.65
Chevak	38	159,932.25	23,989.84	135,942.41
Elim	38	116,057.65	17,408.65	98,649.00
Emmonak	38	321,104.86	48,165.73	272,939.13
Gambell	38	193,911.86	29,086.78	164,825.08
Hooper Bay	38	210,093.79	31,514.07	178,579.72
Koyuk	38	104,681.09	15,702.16	88,978.93
Mekoryuk	38	90,482.75	12,072.41	68,410.34
Mountain Village	38	285,333.59	42,800.04	242,533.55
Pitkas Point	38	40,581.30	6,087.20	34,494.11
Savoogna	38	150,267.64	22,540.15	127,727.49
Scammon Bay	38	125,395.66	18,809.35	106,586.31
Shaktoolik	38	100,057.96	15,008.69	85,049.27
St. Mary's	38	184,590.76	27,688.61	156,902.15
St. Michael	38	107,918.01	16,187.70	91,730.31
Stebbins	38	116,659.65	17,498.95	99,160.70
Toksook Bay	38	148,039.56	22,205.93	125,833.63
Tununak	38	99,275.18	14,891.23	84,383.90
Golovin Power Utilities	38	54,910.68	8,236.60	46,674.08
Kotlik Electric Services	38	98,277.23	14,741.58	83,535.65
Nightmute Power Plant	38	26,918.50	4,037.78	22,880.73
Nome Joint Utility System	38	351,822.03	52,773.30	299,048.73
Sheldon Point Electric Company	38	26,519.65	3,977.95	22,541.70
Telida Village Utility	38	7,855.63	1,178.34	6,677.29
Teller Power Company	38	104,564.00	15,684.60	88,879.40
Unalakleet Valley Electric Cooperative	38	176,452.75	26,467.91	149,984.84

Unqusraq Power Company (Newtok)	38	77,310.02	11,596.50	65,713.52
White Mountain Utilities	38	68,002.53	10,200.38	57,802.15
<b>Subtotal Election District 38</b>		<b>3,769,087.46</b>	<b>565,363.12</b>	<b>3,203,724.34</b>

Eck	39	82,717.74	12,407.66	70,310.08
Goodnews Bay	39	85,062.14	12,759.32	72,302.82
Kasigluk	39	136,337.40	20,450.61	115,886.79
New Stuyahok	39	129,650.73	19,447.61	110,203.12
Nunapitchuk	39	121,805.06	18,270.76	103,534.30
Quahagak	39	155,440.26	23,316.04	132,124.22
Togiak	39	259,152.01	38,872.80	220,279.21
Akiachak Native Community Electric Co.	39	142,990.04	21,448.51	121,541.53
Akiak Power Utilities	39	31,108.25	4,666.24	26,442.01
Atmautluak Joint Utilities	39	33,524.76	5,028.71	28,496.05
Bethel Utilities Corporation, Inc.	39	812,928.02	121,939.20	690,988.82
Ekwok Electric, Inc.	39	43,169.81	6,475.47	36,694.34
Kipnuk Light Plant	39	104,922.50	15,738.38	89,184.13
Koliganek Village Council	39	39,335.86	5,900.38	33,435.48
Kuiggluum Kallugvia (Kwethluk)	39	103,982.44	15,597.37	88,385.07
Kwig Power Company (Kwigillingok)	39	95,558.29	14,333.74	81,224.55
Manokatak Power Company	39	47,444.50	7,116.68	40,327.83
Napakiak Ircinraq Power Company	39	116,714.72	17,507.21	99,207.51
Napaskiak Electric Utility	39	64,074.40	9,611.16	54,463.24
Naterkaq Light Plant (Cheformak)	39	58,534.30	8,780.15	49,754.16
Nushagak Electric Cooperative, Inc. (Dillingham)	39	524,500.24	78,675.04	445,825.20
Platinum, City of	39	3,531.75	529.76	3,001.99
Puvuruaq Power Company (Kongiganak)	39	76,216.14	11,432.42	64,783.72
Tuntutuliak Community Service Assoc.	39	68,599.08	10,289.86	58,309.22
<b>Subtotal Election District 39</b>		<b>3,337,300.44</b>	<b>500,595.07</b>	<b>2,836,705.37</b>

Akutan Electric Utility	40	61,294.96	9,194.24	52,100.72
Andreanof Electric Corporation (Atka)	40	22,261.63	3,339.24	18,922.39
Chignik Lake Electric Utility, Inc.	40	70,080.83	10,512.12	59,568.71
Chignik, City of	40	36,893.39	5,534.01	31,359.38
Egegik Light & Power Company	40	61,582.39	9,237.36	52,345.03
False Pass Electric Association	40	20,248.26	3,037.24	17,211.02
G & K Inc. (Cold Bay)	40	71,359.30	10,703.90	60,655.41
I-N-N Electric Cooperative	40	332,040.48	49,806.07	282,234.41
Iguigig Village Council	40	26,356.01	3,953.40	22,402.61
King Cove, City of	40	97,200.41	14,580.06	82,620.35
Kokhanok Village Council	40	50,636.82	7,598.52	43,038.30
Levelock Electric Cooperative	40	68,786.86	10,318.03	58,468.83
Naknek Electric Association, Inc.	40	344,319.30	51,647.90	292,671.41
Nelson Lagoon Electric Cooperative, Inc.	40	46,501.89	6,975.28	39,526.61
Pedro Bay Village Council - Electric	40	21,875.95	3,281.39	18,594.56
Perryville, City of	40	12,945.88	1,941.88	11,004.00
Pilot Point Village Council	40	35,008.39	5,251.26	29,757.13
Port Heiden, City of	40	15,759.88	2,363.98	13,395.90
Sand Point Electric Company	40	375,349.72	56,302.46	319,047.26
St. George Municipal Electric Utility	40	75,574.50	11,336.18	64,238.33

St. Paul Municipal Electric Utility	40	110,102.42	16,515.36	93,587.06
Tanalian Electric Cooperative, Inc (Pt. Alsworth).	40	44,275.66	6,641.35	37,634.31
Umnak Power Company (Nikolski)	40	20,376.54	3,056.48	17,320.06
Uralaska Electric Utility	40	207,468.78	31,120.32	176,348.46
<b>Subtotal Election District 40</b>		<b>2,228,320.25</b>	<b>334,248.04</b>	<b>1,894,072.21</b>
<b>Grand Total</b>		<b>18,955,358.44</b>	<b>2,843,303.77</b>	<b>16,112,054.67</b>

**POWER COST EQUALIZATION PROGRAM**

**FY95 DISBURSEMENTS BY HOUSE DISTRICT**

Prepared by  
Department of Community & Regional Affairs  
Division of Energy

Jt House & Senate Finance Meeting  
March 14, 1996

Distributed by  
Representative Richard Foster  
Co-Chair, House Finance

**Department of Community and Regional Affairs  
Division of Energy**

**Power Cost Equalization Program  
FY95 Disbursements by House District**

Utility/Community	Elect Dist.	FY95 Program Requirements
Argoon	5	212,141.24
Chitkat Valley	5	46,158.84
Coffman Cove	5	80,788.86
Craig	5	259,194.67
Hollis	5	11,735.83
Hoonah	5	423,169.53
Hydaburg	5	55,246.75
Kake	5	323,962.23
Kasaan	5	22,884.72
Klawock	5	354,451.00
Skagway	5	103,819.75
Whale Pass	5	1,030.43
Elfin Cove Electric Utility	5	23,808.42
Gustavus Electric Company	5	296,666.09
Haines Light & Power Company, Inc.	5	213,252.66
Pelican Utility Company	5	12,062.43
Tenakee Springs Electric Utility	5	52,328.15
Thorne Bay Public Utility	5	40,786.58
Yakutat, City of	5	173,845.02
<b>Subtotal Election District 5</b>		<b>2,707,333.20</b>
Old Harbor	6	5,982.21
Akhiok, City of	6	12,695.86
Alutiiq Power Company (Karluk)	6	25,782.23
Larsen Bay Utility Company	6	14,560.00
Ouzinkie, City of	6	56,882.22
<b>Subtotal Election District 6</b>		<b>245,902.52</b>
Chenega Bay IRA Village Council	35	20,776.99
Cordova Electric Association	35	725,843.28
Tatitlek Electric Utility	35	8,242.08
<b>Subtotal Election District 35</b>		<b>754,862.35</b>
Allakaket/Alatna	36	9,818.65

Anvik	36	49,070.68
Bettles	36	54,223.89
Chauthbaluk	36	47,170.22
Chistochina	36	27,319.53
Crooked Creek	36	58,640.35
Dot Lake	36	14,593.99
Grayling	36	83,191.50
Healy Lake	36	10,390.96
Holy Cross	36	118,552.21
Huslia	36	92,560.54
Kaltag	36	98,218.94
Lower Kalskag	36	88,941.34
Marshall	36	125,844.61
Mentasta	36	18,196.53
Minto	36	112,665.04
Nulato	36	150,648.78
Pilot Station	36	151,422.43
Red Devil	36	22,202.36
Russian Mission	36	67,018.16
Shageluk	36	58,986.95
Sleetmute	36	46,640.96
Stony River	36	23,150.99
Tetlin	36	20,468.07
Tok	36	238,509.47
Upper Kalskag	36	60,687.22
Aniak Light & Power Company, Inc.	36	255,583.01
Beaver Joint Utility	36	37,868.08
Birch Creek Village Electric Utility	36	2,809.52
Chalkyitsik Energy Systems	36	6,080.43
Chitina Electric, Inc.	36	36,606.10
Circle Electric Utility	36	53,151.60
Eagle Power Company	36	100,659.47
Far North Utilities (Central)	36	60,367.82
Galena, City of	36	141,774.87
Gwitchyaa Zhee Utilities (Ft. Yukon)	36	166,188.39
Koyukuk, City of	36	12,506.31
Manley Utility Corporation	36	71,254.79
McGrath Light & Power	36	294,298.40
Nikolai Light & Power	36	69,348.10
Northway Power & Light	36	86,066.13
Rampart Village Energy Systems	36	1,383.80
Ruby, City of	36	67,653.07
Stevens Village Energy Systems	36	18,579.94
Takotna Community Association	36	38,261.28
Tanana Power Company	36	83,232.44
<b>Subtotal Election District 36</b>		<b>3,452,807.92</b>

Ambler	37	164,956.68
Anaktuvuk Pass	37	36,719.95
Atkasuk	37	31,000.50

Kaktovik	37	30,823.27
Kiana	37	173,627.61
Kivalina	37	106,490.96
Noatak	37	170,337.01
Noorvik	37	230,557.61
Nuiqsut	37	39,916.54
Point Hope	37	59,493.45
Point Lay	37	23,578.15
Selawik	37	192,053.27
Shishmaref	37	187,467.55
Sigunak	37	125,503.08
Wainwright	37	51,534.14
Wales	37	75,375.07
Buckland, City of	37	35,238.18
Diomedea Joint Utilities	37	68,770.20
Ignatchik Electric Company (Deering)	37	66,131.04
Kobuk Valley Electric Cooperative	37	42,799.36
Kotzebue Electric Association	37	547,370.68
<b>Subtotal Election District 37</b>		<b>2,459,744.30</b>

Alakanuk	38	116,100.34
Andreafsky	38	54,856.84
Brevig Mission	38	61,113.70
Chevak	38	159,932.25
Elim	38	116,057.65
Emmonak	38	321,104.86
Gambell	38	193,911.86
Hooper Bay	38	210,093.79
Koyuk	38	104,681.09
Mekoryuk	38	80,482.75
Mountain Village	38	285,333.59
Pitkas Point	38	40,581.30
Savoogna	38	150,267.64
Scammon Bay	38	125,395.66
Shaktolik	38	100,057.96
St. Mary's	38	184,590.76
St. Michael	38	107,918.01
Stebbins	38	116,659.65
Toksook Bay	38	148,039.56
Tununak	38	99,275.18
Golovin Power Utilities	38	54,910.68
Kotlik Electric Services	38	98,277.23
Nightmute Power Plant	38	26,918.50
Nome Joint Utility System	38	351,822.03
Sheldon Point Electric Company	38	26,519.65
Telida Village Utility	38	7,855.63
Teller Power Company	38	104,564.00
Unalakleet Valley Electric Cooperative	38	176,452.75

Unqusraq Power Company (Newtok)	38	77,310.02
White Mountain Utilities	38	68,002.53
<b>Subtotal Election District 38</b>		<b>3,769,087.46</b>

Eek	39	82,717.74
Goodnews Bay	39	85,062.14
Kasigluk	39	136,337.40
New Stuyahok	39	129,650.73
Nunapitchuk	39	121,805.06
Quinhagak	39	155,440.26
Togiak	39	259,152.01
Akiachak Native Community Electric Co.	39	142,990.04
Akiak Power Utilities	39	31,108.25
Atmautluak Joint Utilities	39	33,524.76
Bethel Utilities Corporation, Inc.	39	812,928.02
Ekwok Electric, Inc.	39	43,169.81
Kipnuk Light Plant	39	104,922.50
Koliganek Village Council	39	39,335.86
Kuiggluum Kallugvia (Kwethluk)	39	103,982.44
Kwig Power Company (Kwigillingok)	39	95,558.29
Manokatak Power Company	39	47,444.50
Napakiak Ircinraq Power Company	39	116,714.72
Napaskiak Electric Utility	39	64,074.40
Naterkaq Light Plant (Cheformak)	39	58,534.30
Nushagak Electric Cooperative, Inc. (Dillingham)	39	524,500.24
Platinum, City of	39	3,531.75
Puvurna Power Company (Kongiganak)	39	76,216.14
Tuntutuliak Community Service Assoc.	39	68,599.08
<b>Subtotal Election District 39</b>		<b>3,337,300.44</b>

Akutan Electric Utility	40	61,294.96
Andeanof Electric Corporation (Atka)	40	22,261.63
Chignik Lake Electric Utility, Inc.	40	70,080.83
Chignik, City of	40	36,893.39
Egegik Light & Power Company	40	61,582.39
False Pass Electric Association	40	20,248.26
G & K Inc. (Cold Bay)	40	71,359.30
I-N-N Electric Cooperative	40	332,040.48
Iguigig Village Council	40	26,356.01
King Cove, City of	40	97,200.41
Kokhanok Village Council	40	50,656.82
Levelock Electric Cooperative	40	68,786.86
Naknek Electric Association, Inc.	40	344,319.30
Nelson Lagoon Electric Cooperative, Inc.	40	46,501.89
Pedro Bay Village Council - Electric	40	21,875.95
Perryville, City of	40	12,945.88
Pilot Point Village Council	40	35,008.39
Port Heiden, City of	40	15,759.88
Sand Point Electric Company	40	375,349.72

St. George Municipal Electric Utility	40	75,574.50
St. Paul Municipal Electric Utility	40	110,102.42
Tanalian Electric Cooperative, Inc (Pt. Alsworth).	40	44,275.66
Umnak Power Company (Nikolski)	40	20,376.54
Unalaska Electric Utility	40	207,468.78
<b>Subtotal Election District 40</b>		<b>2,228,320.25</b>
<b>Grand Total</b>		<b>18,955,358.44</b>

**LEGISLATIVE HISTORY**  
**OF THE**  
**POWER COST EQUALIZATION**  
**PROGRAM**

**Jt House & Finance Meeting**  
**March 14, 9:00 AM**

**Distributed by**  
**Representative Richard Foster**  
**Co-Chair, House Finance**

# Legislative Research Agency

Alaska State Legislature



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March 13, 1995

## MEMORANDUM

TO: Representative Richard Foster

FROM: Linda Brooks *LB*  
Legislative Analyst

RE: **Legislative History of the Power Cost Equalization Program**  
Research Request 95.159

You requested a legislative history of the Power Cost Equalization (PCE) program. The purpose of this program is to reduce the electric rates paid by rural consumers to levels comparable to those paid by consumers in Anchorage, Fairbanks, and Juneau.

During the past fifteen years, four different programs have subsidized rural electric rates.

- Power Production Cost Assistance Program (PPCA) Fiscal Year 1981 (FY 81)
- Power Cost Assistance Program (PCA) FY 82 into FY 85
- Power Cost Equalization Program (PCE) FY 85 into FY 94
- Power Cost Equalization and Rural Electric Capitalization Fund (PCE-REC) FY 94 to present

The four programs share some common characteristics. Each program reimbursed rural utilities a percentage of their eligible costs when those costs exceeded a certain "entry" rate. For example, the first program, PPCA, reimbursed 85 percent of a utility's costs in excess of 7.65 cents/kwh to generate and transmit electricity. Each program also set a maximum "ceiling" rate. In the case of the PPCA program, the ceiling rate was 40 cents/kwh. Therefore, the PPCA program reimbursed a utility for 85 percent of its eligible costs over 7.65 cents/kwh but below 40 cents/kwh.

When costs exceeded the ceiling rate of 40 cents/kwh, the initial PPCA program paid 100 percent of a utility's excess costs. Subsequent programs differ from PPCA in that they did not reimburse *any* costs beyond their ceiling rates. The first PPCA program also defined "eligible costs" differently from the three subsequent programs. Basically, PPCA reimbursed a utility for production and transmission costs but not for distribution and administration costs. The subsequent programs permitted reimbursement for all of these costs.

Representative Foster

March 13, 1995

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The formula of the newest program, the Power Cost Equalization and Rural Electric Capitalization Fund, varies from the formula of its immediate predecessor, the Power Cost Equalization Program, in two aspects. The entry rate rose by one penny from 8.5 cents/kwh to 9.5 cents/kwh. The cap for reimbursing eligible costs for commercial and residential consumption also fell from 750 kwh/month to 700 kwh/month per customer. The higher entry rate and lower consumption cap reduce somewhat the subsidies paid to rural utilities.

The legislature created the Power Cost Equalization and Rural Electric Capitalization Fund in 1993 as part of Senate Bill 106; a bill that originally sought to only fund electrical power intertie projects between urban centers. Indeed, the history of the state's rural electric assistance programs is intertwined with the state's efforts to build hydroelectric projects to provide urban areas with inexpensive power. We include pages 7 - 13 of *The Power Cost Equalization Program*, an energy policy report prepared for the governor's energy policy task force in 1988 as Attachment A. These pages provide a concise history of rural electric assistance programs from their inception through 1987. Since 1987 the difficulty of continuing to fund Power Cost Equalization Program was frequently discussed, but the program remained unchanged until it was replaced by the Power Cost Equalization and Rural Electric Capitalization Fund in 1993.

When Senator Bert Sharp introduced Senate Bill 106 in 1993, the original bill proposed to fund the construction of power transmission interties between Anchorage and the Kenai Peninsula, between Healy and Fairbanks, and between the Swan Lake and Tyee Lake hydroelectric projects. Rural legislators opposed the bill, since it funded only urban intertie projects. The final version of the bill that became Ch 18 SLA 93 contained several provisions besides the intertie projects.<sup>2</sup> Section 5 of CH 18 SLA 93 rewrote and renumbered the statutes of the PCE program creating the, "Power Cost Equalization and Rural Electric Capitalization Fund." This newest fund provides for less generous subsidies than the older PCE program. However, the House and Senate Finance Committees' substitute bills varied in one key area: the House version declared the legislature's intent to maintain a minimum annual balance of \$17 million annually in the Power Cost Equalization and Rural Electric Capitalization Fund through the year 2013.<sup>3</sup> The House version prevailed, and in exchange for somewhat lower subsidies, rural legislators secured a declaration

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<sup>2</sup>Senate Bill 106 was not the only bill that dealt with the power cost equalization program. House Bill 216, a bill that only dealt with the power cost equalization program, actually passed before Senate Bill 106. House Bill 216 raised the ceiling rate to 9.82 cents/kwh, lowered the cap for residential and commercial customers to 700 kwh/month, and exempted state and federal facilities other than public schools from the program. Senate Bill 106 was passed at the end of the legislative session. Governor Hickel signed Senate Bill 106 into law and vetoed House Bill 216.

<sup>3</sup>The new Power Cost Equalization and Rural Electric Capitalization Fund received an initial appropriation of \$66.9 million with 3 percent of the fund available for rural electric project grants.

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
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