

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4952 HRES HB 182 - HB 183 (FILE 1)

528

HB

182

HOUSE COMMITTEE REPORT

4/13

(7)

Date referred: 3/16/87

FURTHER REFERRALS: Resources
Finance

DATE: _____

The Labor & Commerce Committee has considered HB 182

"An Act relating to the power cost equalization program.

RECOMMENDS:

- replace with CSHB 182 (202) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

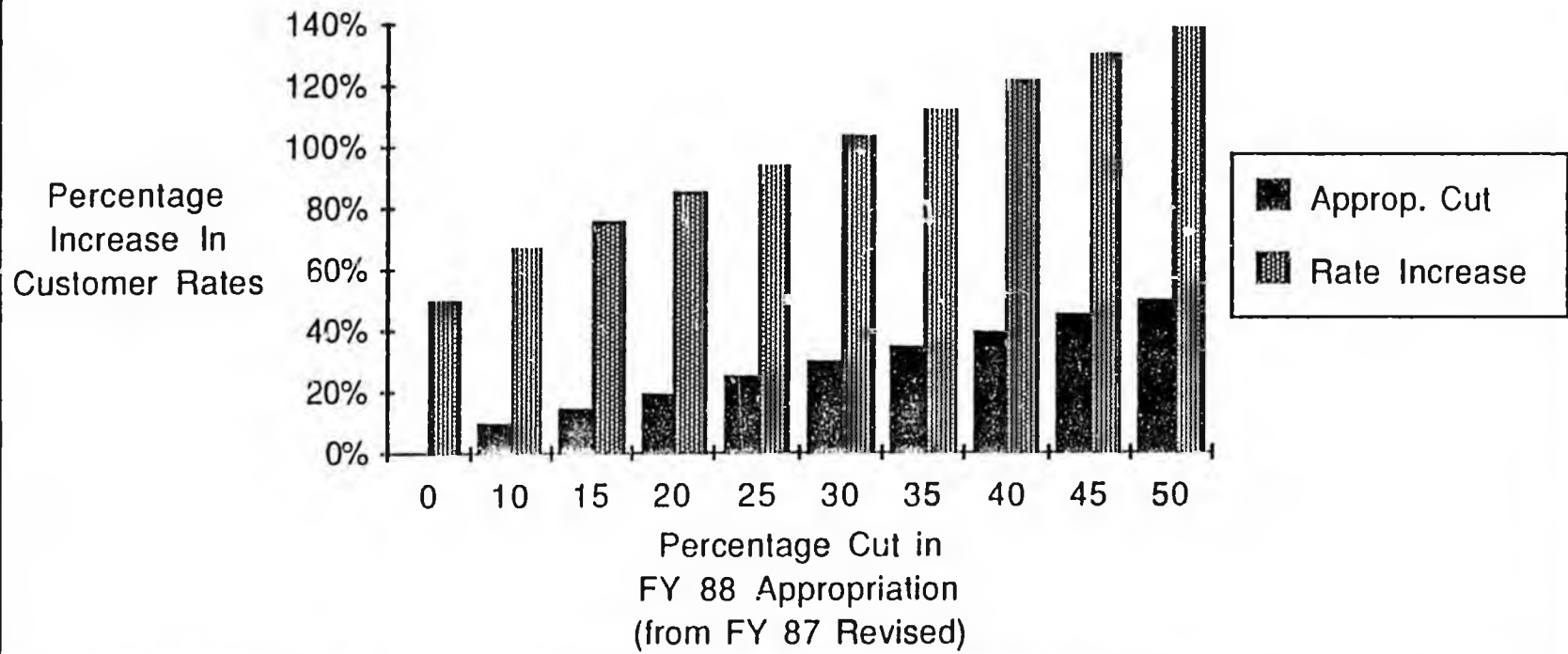
SIGNING OTHER RECOMMENDATIONS:

contact
David Douley

Boecker W.A. Boecker DO NOT PASS
 Ellis J. H. Ellis no rec
 Kopper W. H. Kopper no rec
 Davidson Cliff Davidson no rec
 Furnace Walt Furnace no rec
 Menard Sam Menard DO NOT PASS

David Douley
 Chairman's signature

Power Cost Equalization Rate Impacts for AVEC Villages



**Power Cost Equalization Rate Impacts
From Reduced State Appropriations**

Alaska Village Electric Cooperative (AVEC)

FY 87 PCE Rate (Avg) = 25.2 Cents/kWh

FY 87 Customer Rate (avg) = 9.5 Cents/kWh

Total Power Cost = 34.7 Cents/kWh

FY 88 State Appropriation	Reduction from FY 87 Revised (S000's)	Percentage of Full Funding (Percentage)	Prorated PCE Rate (cents/kWH)	Customer Rate Increase (cents/kWH)	Percentage Rate Increase	
13,840.8	0.0	0%	81%	20.4	4.8	50%
12,456.7	1,384.1	10%	75%	18.8	6.4	67%
11,764.7	2,073.1	15%	71%	18.0	7.2	76%
11,086.9	2,753.9	20%	68%	17.1	8.1	85%
10,380.6	3,460.2	25%	65%	16.3	8.9	94%
9,688.6	4,152.2	30%	61%	15.4	9.8	103%
8,996.5	4,844.3	35%	58%	14.6	10.6	112%
8,304.5	5,536.3	40%	54%	13.7	11.5	121%
7,612.4	6,228.4	45%	51%	12.9	12.3	130%
6,920.4	6,920.4	50%	48%	12.0	13.2	139%

JK/Division of Policy
1/7/87

- NCO -

Robert Blodgett - 672-3261
3333

Teller
Sund Telephone Company

CSNB 152 - Power Cost Equalization
Program

Poor piece of leg. above depth 1000' and

Py 2, line 10 up to 1000' in gas. So
gas is too expensive

Py 2 2-10 Eff. 2 gas = 1000' of
power ...

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...
...
... shale say "some"
... "fine" ...

...
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... range 300
... 1000' ...

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if reduced, - is efficient

If Rates are raised, we'll have to charge
since for the...

"But don't forget the Draft bill"

23 sq of 500 from 750 kWh

... .. kWh

... ..

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would reduce this bill

15
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playing game with it.

Pool near town - Southern Gardens
cut to the side-wide.

PO Box 645
Tellico 37778

House Res Center - Good Center, the
Linn's Good - ~~po~~ po ~~in~~ in

POWER COST EQUALIZATION PROGRAM (AS 44.83.162-165)
FY 88 PROGRAM REQUIREMENTS

<u>Customer Class</u>	<u>Full Funding*</u>	<u>Governor's Budget**</u>
Residential	\$12,569.4	\$10,809.7
Commercial	3,790.8	648.6
Community Facilities	<u>3,591.3</u>	<u>2,693.5</u>
Total Grants	19,951.5	14,151.8
Administrative Costs	<u>137.3</u>	<u>137.3</u>
Total Program Costs	\$20,088.8	\$14,289.1
Funding Carryover	<u>-3,217.1</u>	<u>-3,217.1</u>
FY 88 PROGRAM REQUIREMENTS	<u>\$16,871.7</u>	<u>\$11,072.0</u>

FY 88 Reduction from Full Funding Level = \$5,799.7

* Full program funding required under the existing statutes.

** Program funding required under new legislation proposing the following changes:

Lower residential cap from 750 KWH per month to 500 KWH

Lower community facilities cap from 70 KWH per month per resident to 50 KWH. Restrict eligible community facilities to exclude non-essential services and buildings.

Lower commercial customer cap from 750 KWH per month to 500 KWH and limit eligible commercial customers to those using no more than 1,000 KWH per month.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

No. 1

Bill Version: HB 182
Publish Date: HOUSE 3/16/87

183

REQUEST

Bill/Resolution No. : _____
 Title : An Act Related to the Power
Cost Equalization Program

 Sponsor : Governor Steve Comper
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Alaska Power Authority
 BRU : 08-08-24-09-00

 Components : Power Cost Equalization
Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
GRANTS, CLAIMS						
MISCELLANEOUS	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
TOTAL OPERATING						

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The legislation would reduce the funding requirements of the Power Cost Equalization Program in FY 88 by an estimated \$5,799.7 through restrictions on eligible consumption levels and customers. This reduction is already included in the Governor's Budget. Cost savings in FY 89-92 would probably be larger than in FY 88, but are difficult to estimate accurately; therefore, the FY 88 estimate is used for each of these years. (See attached schedule for detail.)

Prepared by : Gloria Mann, Director Phone : 261-7210
 Division : Accounting & Administration, APA Date : 3/10/87
 Executive Director : _____
 Approved by Commissioner : Bob LeResche Date : 3/10/87
 Agency : Alaska Power Authority, ACEP

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requester
- Office of Management and Budget
- Impacted Agency(ies)

POWER COST EQUALIZATION PROGRAM (AS 44.83.162-165)
FY 88 PROGRAM REQUIREMENTS

<u>Customer Class</u>	<u>Full Funding*</u>	<u>Governor's Budget**</u>
Residential	\$12,569.4	\$10,809.7
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Lower commercial customer cap from 750 KWH per month to 500 KWH and limit eligible commercial customers to those using no more than 1,000 KWH per month.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

No. 1

Bill Version: HB 182
Publish Date: HOUSE 3/16/87

REQUEST

Bill/Resolution No. : _____
 Title : An Act Related to the Power
Cost Equalization Program

 Sponsor : Governor Steve Cowper
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Alaska Power Authority
 BRU : 08-08-24-09-00

 Components : Power Cost Equalization
Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
GRANTS, CLAIMS						
MISCELLANEOUS	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING : (Thousands of Dollars)

GENERAL FUND	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The legislation would reduce the funding requirements of the Power Cost Equalization Program in FY 88 by an estimated \$5,799.7 through restrictions on eligible consumption levels and customers. This reduction is already included in the Governor's Budget. Cost savings in FY 89-92 would probably be larger than in FY 88, but are difficult to estimate accurately; therefore, the FY 88 estimate is used for each of these years. (See attached schedule for detail.)

Prepared by: Gloria Manni, Director Phone: 261-7210
 Division: Accounting & Administration, APA Date: 3/10/87
 Executive Director:
 Approved by Commissioner: Bob LeResche Date: 3/10/87
 Agency: Alaska Power Authority, DCED

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

POWER COST EQUALIZATION PROGRAM (AS 44.83.162-i65)
FY 88 PROGRAM REQUIRMENTS

<u>Customer Class</u>	<u>Full Funding*</u>	<u>Governor's Budget**</u>
Residential	\$12,569.4	\$10,809.7
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** Program funding required under new legislation proposing the following changes:

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Lower commercial customer cap from 750 KWH per month to 500 KWH and limit eligible commercial customers to those using no more than 1,000 KWH per month.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 182(L&C)
Publish Date: HOUSE 4/13/87

REQUEST

Bill/Resolution No.: CSHB 182 (L & C)
Title: An Act Relating to the Power Cost Equalization Program
Sponsor: Governor Steve Cowper
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Alaska Power Authority
BRU: Department of Commerce & Economic Development
Components: Power Cost Equalization Program (PCEP)

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)
MISCELLANEOUS						
TOTAL OPERATING	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)
FEDERAL FUNDS						
OTHER						
TOTAL	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The proposed legislation would reduce the funding requirements of the Power Cost Equalization Program through incremental restrictions on eligible consumption levels (See attached schedule for details).

Prepared by: Gloria Manni, Director
Division: Account. & Admin., Alaska Power Authority

Phone: 261-7210
Date: April 10, 1987

Approved by Exec: Dir.: Robert E. LeResche
Agency: Alaska Power Authority

Date: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

ALASKA POWER AUTHORITY
 POWER COST EQUALIZATION PROGRAM
 PROJECTED PROGRAM REQUIREMENT BY FISCAL YEAR
 RESULTING FROM PROGRAM CHANGES PROPOSED IN CSHB 182

	<u>Customers All Classes</u>	<u>Community Facilities</u>	<u>Total Subsidy</u>	<u>Admin Costs</u>	<u>Total Program Requirement</u>	<u>Program Requirements (Reduction)</u>	
						%	\$
A. FY88 Projected Program Requirements Under Existing Legislation (1):	\$ 16,360.2	\$ 3,591.3	\$ 19,951.5	\$ 137.3	\$ 20,088.8	0	0
Projected Program Requirement Under CSHB 182 (2):							
FY88	13,503.9	3,358.6	16,862.5	137.3	16,999.8	(15.4)	(3,089.0)
FY89	12,096.2	3,358.6	15,454.8	137.3	15,592.1	(22.4)	(4,496.7)
FY90	11,122.5	3,358.6	14,481.1	137.3	14,618.4	(27.2)	(5,470.4)
FY91	10,159.4	3,358.6	13,518.0	137.3	13,655.3	(32.0)	(6,433.5)
FY92	8,992.2	3,358.6	12,350.8	137.3	12,488.1	(37.8)	(7,600.7)

B. Power Cost Equalization Program Level of Subsidy

1. Customers: 750 kwh x mo
 Community Facilities: 70 kwh x mo x resident
2. Customers:
 - a. FY88, 500 kwh x mo
 - b. Beginning FY89 reduced by 50 kwh x mo each fiscal year until the maximum subsidy is based on 250 kwh X mo
 Community Facilities: 50 kwh x mo x resident

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 182 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the power cost equalization
7 program."

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

9 * Section 1. FINDINGS. The legislature finds that

10 (1) the power cost equalization program has substantially im-
11 proved the health, safety, and quality of life in rural parts of the state;

12 (2) the cost of electricity in rural parts of the state is
13 substantially higher than the cost in the rest of the state;

14 (3) rural parts of the state rely less on a cash economy and
15 therefore rural residents may have more difficulty paying cash for high
16 energy costs;

17 (4) access to a certain level of electric power at affordable
18 rates is a basic right and necessity in the state;

19 (5) the power cost equalization program has allowed many more
20 rural state residents access to electric power at affordable rates than
21 before the program was available;

22 (6) most electricity in rural parts of the state is generated by
23 diesel generators that operate efficiently only at full capacity;

24 (7) an electric utility needs a certain demand for power to
25 operate efficiently and the power cost equalization program has helped
26 create this "critical mass" of demand in rural areas of the state;

27 (8) by providing a stable demand, the power cost equalization
28 program has enabled rural electric utilities to substantially improve the
29 efficiency of their operations through energy conservation, more efficient

1 generation, and improvements in end-use technology;

2 (9) the average household use of energy has not increased under
3 the power cost equalization program, although the number of new households
4 hooked up to electricity has increased;

5 (10) efficient generation and use of electrical power in rural
6 parts of the state is dependent on power usage by residential, commercial,
7 and community facility customers; representatives of rural electric util-
8 ities believe that elimination or substantial curtailment of the power cost
9 equalization subsidy for commercial users would force commercial users to
10 operate their own gasoline generators to provide their own electric power
11 and would therefore reduce the "critical mass" necessary for the electric
12 utility to operate economically;

13 (11) although the power cost equalization program has been suc-
14 cessful in providing electricity at affordable rates to consumers without
15 leading to waste of energy resources, the current fiscal limitations in the
16 state require a reduction in many state programs and services, including
17 the power cost equalization program;

18 (12) if a reduction to the power cost equalization program is
19 necessary, it is better to accomplish the reduction by reducing the amount
20 of subsidy for each consumer and continuing to provide service under the
21 program to the largest number of consumers possible.

22 * Sec. 2. AS 44.83.162(c) is amended to read:

23 (c) An eligible electric utility is entitled to receive power
24 cost equalization for actual consumption to the extent allowed under
25 (e) of this section for sales of power to

26 (1) [FOR SALES OF POWER TO] local community facilities,
27 calculated in the aggregate for each community served by the electric
28 utility [, FOR ACTUAL CONSUMPTION OF NOT MORE THAN 70 KILOWATT-HOURS
29 PER MONTH FOR EACH RESIDENT OF THE COMMUNITY]; and

1 (2) [FOR ACTUAL CONSUMPTION OF NOT MORE THAN 750 KILOWATT-
2 HOURS PER MONTH SOLD TO] each customer in all classes served by the
3 electric utility except to customers of the utility under (1) of this
4 subsection.

5 * Sec. 3. AS 44.83.162(e) is amended to read:

6 (e) An electric utility whose customers receive power cost
7 equalization under this section shall set out in its tariff the rates
8 without the power cost equalization and the amount of power cost
9 equalization per kilowatt-hour sold. The rate charged to the customer
10 shall be the difference between the two amounts. Power cost equaliza-
11 tion paid under this section shall be used to reduce the cost of all
12 power sold to local community facilities, in the aggregate, to the
13 extent of 50 [70] kilowatt-hours per month per resident of the commu-
14 nity, and, in fiscal year 1988, to reduce the cost of the first 500
15 [70] kilowatt-hours per customer per month for all other classes
16 served by the electric utility. The subsidy for those classes shall
17 be reduced each year, beginning in fiscal year 1989, by 50 kilowatt-
18 hours per customer per month until the maximum subsidy is based on the
19 first 250 kilowatt-hours per customer per month for those classes.
20 Access to at least 250 kilowatt-hours per month at an affordable rate
21 is a basic right for each customer.

22 * Sec. 4. AS 44.83.162(j) is amended to read:

23 (j) The authority shall review the report required under (i)(1)
24 of this section and may submit the report to the commission for addi-
25 tional review before payment. After review and approval of the report
26 by the authority, the authority shall, subject to appropriation, pay
27 to each eligible electric utility an amount equal to the power cost
28 equalization per kilowatt-hour determined by the commission under (b)
29 and (d) of this section, multiplied by the number of kilowatt-hours

1 eligible for power cost equalization that were sold during the preced-
2 ing month to all customers of the utility in accordance with (c) of
3 this section. Payment shall be made by the authority within 30 days
4 after receipt from the utility of the report required under (i) of
5 this section. However, if there is a dispute between the authority
6 and the utility relating to the payment, the authority shall submit
7 the report to the commission for review within 30 days after its
8 receipt by the authority. When a report is submitted to the commis-
9 sion for review under this section, payment shall be made by the
10 authority within 30 days after submission, based on a commission
11 determination. If the commission determines that appropriations are
12 insufficient for payment in full, the amount paid to each electric
13 utility must fully fund, in descending order, residential customers,
14 community facilities, and commercial facilities until the appropria-
15 tion is fully spent. If the appropriation is insufficient for payment
16 in full to a class of eligible customers, the amount paid to customers
17 in that class must be [IS] reduced on a pro rata basis.

18 * Sec. 5. AS 44.83.162(k) is amended to read:

19 (k) If an electric utility receives power cost equalization
20 under this section, the utility shall either

21 (1) give the following notice to its electric service
22 customers eligible under this program for each period for which the
23 payment is received:

24 NOTICE TO CUSTOMER

25 For the current billing period the utility will be paid under the
26 State of Alaska's power cost equalization program (AS 44.83.162) an
27 amount to assist the utility and its customers in reducing the high
28 cost of generation of electric energy. For electric energy consumed
29 by residential customers and private commercial customers, this state

1 payment applies only to the first (insert appropriate amount) kilo-
2 watt-hours per month used by each customer. For electric energy sold
3 to local community facilities, this state payment applies to the total
4 number of kilowatt-hours used each month by all such facilities in the
5 community, up to a maximum of 50 kilowatt-hours, multiplied by the
6 number of residents in the community.

7 Your total electrical service cost \$
8 Less state equalization \$
9 Your charge \$;
10 or

11 (2) give to its electric service customers a notice ap-
12 proved by the authority, which notice provides electric service cus-
13 tomers the same information provided by the notice in (1) of this
14 subsection.

15 * Sec. 6. AS 44.83.162(o)(2) is amended to read:

16 (2) "community facility" means a facility essential to the
17 public health, safety, and welfare of the community, and includes a
18 water and sewer facility, public outdoor lighting including lighting
19 for a community-owned airport strip or harbor, a community washeteria
20 or freezer, a community volunteer firehall, a community health clinic,
21 a village public safety office, a [,] charitable educational facility,
22 or a community building whose operations are not paid for by the
23 state, the federal government, or private commercial interests;

24 * Sec. 7. AS 44.83.163(a) is amended to read:

25 (a) The power cost equalization per kilowatt-hour determined
26 under AS 44.33.162 payable to an electric utility that is subject to
27 rate regulation under AS 42.05 may be adjusted by the commission if

28 (1) an increase or decrease in the electric utility's cost
29 of fuel has resulted in the approval of a fuel cost rate adjustment by

1 the commission;

2 (2) a permanent or interim rate increase or decrease has
3 been approved by the commission, thereby establishing a higher or
4 lower power cost; or

5 (3) an adjustment is required after the authority has
6 discovered discrepancies in its review of monthly data submitted by
7 t. electric utility [; OR

8 (4) THE AUTHORITY DETERMINES THAT APPROPRIATIONS ARE INSUF-
9 FICIENT TO FINANCE FULL PAYMENTS TO ELIGIBLE ELECTRIC UTILITIES].
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STEVE COWPER, GOVERNOR

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

DIVISION OF POLICY

P O BOX 40
JUNEAU ALASKA 99811
PHONE (907) 465-3568

April 1, 1987

The Honorable Dave Donley
Representative
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

SUBJECT: HB 182 -- Power Cost Equalization

Dear Representative Donley:

At the March 26 Labor & Commerce Committee hearing on HB 182, Representative Koponen requested that our office provide additional information and comments on several issues raised during the hearing.

Current Rural Power Rates

Attachment 1 provides a list of power rates for residential and commercial customers of regulated rural utilities. Rate information for unregulated utilities is not readily available; however, the rates shown in Attachment 1 provide a good sample of utilities throughout the state.

The first table in Attachment 1 is from the Alaska Power Authority and shows total power costs, rather than customer rates; PCE payments are not reflected in these figures. PCE rates are shown in the second table, provided by the Alaska Public Utilities Commission.

An important point concerning customer rates under the PCE program is that customers pay more than the 8.5 cents per kWh specified in the PCE statutes. This 8.5 cent figure applies to the calculation of the PCE rate paid to utilities, not directly to the customer rate. The average rate paid by residential customers under the PCE program is about 13 cents per kWh.

ARECA PCE Proposal

At the March 26 hearing, Mr. Ken Johnson, representing the Alaska Rural Electrical Cooperative Association (ARECA), proposed an

alternative method of allocating reduced funding for the PCE program. Mr. Johnson's proposal included the following elements:

- Raise the current PCE floor of 8.5 cents per kilowatt-hour (kWh) to 11.25 cents per kWh, which Mr. Johnson indicates is the current rate paid by Fairbanks residential customers.
- If the previous step is not sufficient to meet funding restrictions, then reduce the 95 percent multiplier in present law to 90 percent.
- If the previous two steps are not sufficient to meet funding restrictions, reduce the current 750 kWh per month cap for residential and commercial customers to 500 kWh.

The Alaska Power Authority (APA) has estimated the funding reductions which would result from each of the elements in the ARECA proposal. For purposes of comparison, HB 182 would reduce the cost of the PCE program by about \$5.8 million.

Raising the PCE floor from 8.5 cents per kWh to 11.25 cents per kWh would reduce the funding requirement by about \$3.9 million.

Reducing the 95 percent multiplier to 90 percent, with a PCE floor of 11.25 cents, would save about \$600,000, for a combined savings of about \$4.5 million. Thus, in order to meet the PCE funding level included in the Governor's FY 88 budget, an additional \$1.3 million would have to be deleted from the program. According to ARECA's proposal, the next step would be to lower the 750 kWh per month cap to 500 kWh. However, lowering the consumption cap would result in a program cost reduction of approximately \$2.7 million -- much more than the \$1.3 million required.

It appears that in order to match the Governor's proposed funding level, the most workable variation of the ARECA proposal would be to raise the PCE floor to 11.25 cents and lower the consumption cap from 750 to 500 kWh per month. This would produce a total cost reduction of about 5.6 million. If necessary, the 95 percent multiplier could be reduced by one or two percent to match the proposed funding level. If the consumption cap were not reduced to 500 kWh per month, the multiplier would have to be reduced to about 85 percent to match the proposed funding level.

Rate Impacts of the ARECA proposal

The ARECA proposal would result in what we feel are unacceptable rate impacts for residential customers. Raising the PCE floor to 11.25 cents would require a rate increase for all customers of 2.75 cents (11.25 - 8.5). At an average residential rate of 13 cents per kWh, this would amount to a rate increase of 21 percent.

The effect of reducing the 95 percent multiplier would vary depending on the PCE rate of each utility. Using the Alaska Village Electric Cooperative (AVEC) as a mid-range example, reducing the multiplier to 85 percent would require an additional rate increase of about 16 percent, for a total rate increase of about 40 percent. If the consumption cap were reduced to 500 kWh while leaving the multiplier at 95 percent, rate increases for most residential customers would be limited to the 21 percent required by raising the floor to 11.25 cents.

In comparison to HB 182, the ARECA proposal favors large commercial customers and community facilities at the expense of small residential customers. We are flexible in our approach to reducing PCE funding; however, we feel strongly that any changes made to the program must protect those customers who need the program the most. These are the small residential customers with limited cash incomes, who might use only 2-300 kWh per month. Under the ARECA proposal, these customers would face rate increases of 20 - 40 percent.

The "200 kWh PCE" Proposal

Representative Koponen also asked that we comment on the proposal made by Mr. Alan Mitchell, under which PCE customers would be provided free electricity up to a level of approximately 200 kWh per month. While we support Mr. Mitchell's objective of increasing incentives for the use of efficiency and conservation measures, his proposal involves a major redistribution of PCE benefits from larger to smaller PCE customers. For example, a customer using only 200 kWh per month would benefit greatly from this concept, while a customer using 500 kWh or more per month would probably face substantial increases in power costs. This proposal goes well beyond the restructuring of the PCE program in HB 182, and we do not recommend that the proposal be adopted.

The Diesel "Low-Load" Problem

Representative Koponen raised this issue in response to Mr. Mitchell's testimony on the benefits of efficiency and conservation measures. Essentially, the problem is that most diesel generators are designed to operate at relatively high load factors, and at low loads of 20 or 30 percent, fuel efficiency declines and maintenance problems can develop. Representative Koponen expressed concern that conservation measures could increase these problems by reducing load levels.

This is a valid concern which must be considered on a case-by-case basis, depending on the generation capacity and load characteristics of each utility. However, we believe that conservation

Representative Donley
April 1, 1987
Page 4

measures can play still play a major role in holding down rural power costs, for several reasons. First, although diesel fuel efficiency does decline somewhat at lower loads, with the high cost of fuel in most villages, utilities can still obtain substantial savings by reducing or limiting growth in power demand.

Second, while many rural utilities tend to have oversized generators, others are nearing their generation capacity and will have to acquire additional units unless demand growth can be limited by conservation or other measures. Second, diesel generators are replaced relatively frequently in comparison to the larger power plants used in urban areas. While conservation may not be as effective in a village with an oversized generator, it can enable the utility to purchase a smaller generator to replace the oversized unit when it wears out.

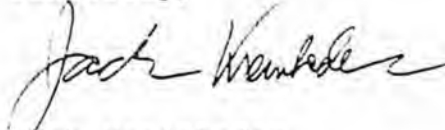
Third, some types of conservation measures can help to reduce the low-load problem. In many villages, this is a seasonal summer problem because loads are high in the winter and low in the summer. By targeting conservation measures at electrical uses which contribute to the winter peak, such as lighting, the wide swings in seasonal demand can be reduced.

The best solution to the low-load problem is the use of two or more generators in series, which allows a utility to use a small generator during its daily or seasonal low points in demand, then bring additional unit(s) as demand increases. This load following procedure is used by most of the larger rural utilities, but is not yet employed by many smaller utilities.

* * * * *

I hope this information is helpful. Please let me know if we can be of further assistance.

Sincerely,



Jack Kreinheder
Senior Analyst

MEMORANDUM

State of Alaska

TO: Jack Kreinheder, Senior Analyst
Office of the Governor
Division of Policy

DATE: March 31, 1987

FILE NO.:

THRU: TELEPHONE NO.: 261-7210

FROM: *P. Manni*
Gloria Manni, Director
Accounting & Administration

SUBJECT: Power Cost Equalization
Program (PCEP)
Analysis of FY88 Funding
Requirements

As per your request, the attached schedule summarizes the projected program requirements under decreasing percentages of power cost equalization provided to utilities per kwh sold and in combination with either the existing floor of 8.5 cents per kwh or a floor of 11.25 cents per kwh.

The variance percentages of the subsidy requirement have been calculated on the standard sample group of utilities and applied program wide. Administrative costs are not included in the projections.

The alternative closest to the \$14,289.1 program funding in the FY88 Budget of the Governor are achieved by raising the PCEP floor to 11.25 cents per kwh and decreasing the percentage of power cost equalization provided per kwh sold to 85% and 80%.

Please call me if you have any questions.

GM:tg

cc: R.E. LeResche, Director, Alaska Power Authority

Alaska Power Authority

POWER COST EQUALIZATION PROGRAM - FY88 Analysis of Projected Program Requirement March 29, 1987

<u>% of Power Costs x kwh (1)</u>	<u>Power Costs 8.5 - 52.5¢ x kwh (2)</u>	<u>% Variance From Base</u>	<u>Power Costs 11.25 - 52.5¢ x kwh (3)</u>	<u>% Variance From Base(A)</u>
95	(A) 19951.5	0	16053.0	80.46
90	18195.8	91.20	15472.4	77.55
85	17180.2	86.11	14311.2	71.73
80	16170.7	81.05	13425.4	67.29
75	15163.1	76.00	12627.3	63.29

ANALYSIS ASSUMPTIONS:

- 750 kwh x mo x customer
- 70 kwh x mo x resident/community facilities
- Decreasing percentages of power cost equalization provided x kwh sold (1)
- Power costs more than 8.5¢ and less than 52.5¢ x kwh eligible for PCEP subsidy (2)
- Power costs more than 11.25¢ and less than 52.5¢ x kwh eligible for PCEP subsidy (3)

Note:

(A) = PCEP subsidy requirements under existing legislation, as presented in the Power Authority original FY88 budget request

ATTACHMENT 1
 1985 Energy Use (Kwh) and Billing Charges (¢/Kwh)
 ALASKA UTILITIES BY REGION
 (Page 2 of 2)

Region/Community	Utility	Residential (Average Annual)			Commercial/Industrial (Average Annual)			TOTAL (Average Annual)		
		Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh	Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh	Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh
ARCTIC - NORTHWEST										
48 Villages	AVEC	2,777	1,257	45.3	14,007	5,692	40.6	5,962	2,467	41.3
Barrow	BUAEC	4,953	644	13.0	64,157	5,774	9.0	18,981	1,923	10.1
Deadhorse	AUI	0	0	0	656,851	167,431	25.4	656,851	167,431	25.4
Kotzebue	KtEA	6,046	1,377	22.8	52,340	11,149	21.3	14,106	30,794	21.8
Nome	NJUB	5,394	1,041	19.3	29,889	472	15.8	10,604	2,085	19.6
Unalakleet	UVEC	5,198	1,160	22.3	31,930	6,761	21.1	10,759	2,376	21.6
Regional Average		3,967	1,145	33.1	50,722	8,195	21.2	32,927	5,752	29.9
SOUTHWEST										
Aniak	APC	3,787	1,634	43.2	35,310	13,386	37.9	9,165	3,638	39.7
Bethel	BUC	5,079	970	19.1	58,598	9,832	16.8	13,495	2,363	17.5
Cold Bay	G&K	15,276	3,207	21.0	61,537	13,171	21.4	42,371	9,048	21.4
Dillingham	NEC	5,251	1,069	20.4	27,927	5,300	19.0	10,740	2,111	19.7
Egegik	EL&P	3,740	2,131	57.0	7,152	4,076	57.0	4,685	2,670	57.0
Levelock (3)	LEC	3,825	2,173	57.9	12,240	6,391	53.2	6,350	3,123	50.1
McGrath	MGL&P	3,359	1,224	36.4	13,596	5,165	38.0	8,089	3,045	37.6
Naknek	NEA	5,961	1,377	23.1	30,775	7,101	23.1	14,139	3,264	23.1
Napaklak (3)	MIC	3,224	983	30.5	14,425	4,502	31.2	4,214	1,294	30.7
Regional Average		5,106	1,151	23.4	36,089	7,544	24.0	15,808	2,646	22.8
Alaska Average		9,027	801	14.3	74,724	5,916	9.2	19,363	1,693	9.5

NOTE: (1) These charges do not reflect the actual costs to consumers of utilities eligible under the State Power Cost Equalization Program.
 (2) Regional averages are weighted by population.
 (3) E: Estimated.

1985 Energy Use (Kwh) and Billing Charges (¢/Kwh)

ALASKA UTILITIES BY REGION

(Page 1 of 2)

Region/Community	Utility	Residential (Average Annual)			Commercial/Industrial (Average Annual)			TOTAL (Average Annual)		
		Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh	Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh	Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh
SOUTHEAST										
APAT (Incl. Tok)	AP&T	4,780	789	16.5	22,580	3,424	15.2	11,086	1,679	15.1
Auke Bay	CHFA	11,346	1,639	14.4	39,161	2,741	7.0	14,496	1,923	13.3
S Villages	THREA	5,227	1,829	35.0	23,563	8,483	36.0	8,925	3,122	35.0
Haines	HL&P	5,833	1,102	18.9	25,966	4,385	16.9	10,666	1,806	16.9
Juneau	AEL&P	12,695	922	7.3	50,858	3,830	7.5	21,019	1,545	7.3
Ketchikan	KPU	9,777	909	9.3	47,818	4,329	9.1	15,836	1,455	9.2
Hetlakatla	MP&L	17,186	1,047	6.1	116,395	11,902	10.2	30,703	2,543	8.3
Petersburg	PMP&L	6,414	691	10.8	60,839	6,030	9.9	14,544	1,489	10.2
Sitka	SED	10,997	746	6.8	63,876	4,156	6.5	22,796	1,499	6.6
Wrangell	WHL&P	5,611	865	15.4	24,083	2,714	11.3	10,818	1,399	12.9
Yakutat	YPI	7,008	1,339	19.1	62,286	9,984	16.0	14,419	2,498	17.3
Regional Average (2)		10,395	954	10.3	49,376	4,398	9.9	18,055	1,622	9.9
SOUTHCENTRAL										
Kodiak	KdEA	5,037	1,026	17.0	58,947	9,137	15.5	20,108	3,016	15.0
Port Lions	KdEA	3,637	655	18.0	8,909	1,532	17.2	5,065	912	18.0
Anchorage	AHL&P	7,360	487	6.6	120,659	7,155	5.9	26,820	1,641	6.1
	CEA	9,658	640	6.4	76,199	4,524	5.9	16,352	1,043	6.4
	HEA	11,762	1,057	9.0	60,711	4,330	7.1	15,965	1,429	9.0
Cordova	CEC	5,688	1,378	24.2	27,538	5,262	19.1	13,346	2,709	20.3
Glennallen	CVEA	4,941	998	20.2	58,965	9,788	16.6	17,673	3,057	17.3
Homer	HEA	10,926	871	8.4	103,728	6,797	6.5	23,690	1,723	7.3
Seward	SES	10,040	1,014	10.1	35,415	3,391	9.5	19,021	1,869	9.8
Valdez	CVEA	7,994	1,223	15.3	69,353	9,952	14.3	20,860	3,025	14.5
Regional Average		9,583	742	7.8	85,587	5,871	7.4	19,505	1,435	7.5
YUKON										
Fairbanks	FMUS	5,862	511	8.7	69,738	6,314	9.1	21,626	1,942	9.0
	GVFA	8,103	871	10.7	71,935	6,710	9.3	15,503	1,548	10.0
Fort Yukon	GZUC	1,841	801	43.5	16,614	5,737	34.5	6,233	2,269	36.4
Hanley Hot Springs	MJC	2,400	573	23.8	6,700	1,670	24.9	3,014	730	24.2
Northway	NP&L	3,057	893	29.2	55,059	14,841	27.0	13,198	3,610	27.4
Tanana	TPC	5,068	1,926	38.0	81,684	29,406	36.0	9,600	3,552	37.0
Regional Average		7,613	812	10.8	69,944	6,627	9.9	16,594	1,650	10.3

ALASKA PUBLIC UTILITIES COMMISSION-ANNUAL REPORT (Fiscal Year Ending 6/30)

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES

(As of December 31, 1985 - Fuel Cost Rate Adjustments Included Where Available)

COMMUNITY	100 KWH	500 KWH	1,000 KWH	1,500 KWH	Power Cost Equalization (1)	UTILITY SERVING COMMUNITY
Anchorage	\$ 10.43	\$ 34.16	\$ 63.83	\$ 93.49		Municipal Light & Power Department, Municipality of Anchorage d/b/a
Anchorage	11.59	36.01	66.52	97.04		Chugach Electric Association, Inc.
Andreanof	55.00	200.00	325.00	450.00	26.50¢/KWH	Andreanof Electric Corporation
Angeon	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Aniak	42.48	202.58	395.63	588.58	22.35¢/KWH	Aniak Light and Power Company, Inc.
AVEC Communities	44.15	220.75	441.50	662.25	29.69¢/KWH	Alaska Village Electric Cooperative, Inc.
Barrow	15.00	66.00	121.56	177.12		Barrow Utilities and Electric Cooperative, Inc.
Bethel	22.38	93.46	173.86	254.27	7.25¢/KWH	Bethel Utilities Corporation, Inc.
Bettles	49.50	247.50	495.00	742.50	35.19¢/KWH	Bettles Light & Power, Inc.
Central	50.89	254.45	508.90	763.35	33.38¢/KWH	Far North Utilities
Chuathbaluk	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Chugiak	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.
Cold Bay	36.15	140.75	271.50	402.25	15.43¢/KWH	G & K, Inc.
Copper Center	26.40	100.10	185.10	270.10		Copper Valley Electric Association, Inc.
Craig	21.28	92.84	182.29	271.74	7.41¢/KWH	Alaska Power & Telephone Company
Crooked Creek	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Delta Junction	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Dillingham	26.57	100.34	186.70	273.18	9.64¢/KWH	Hushegak Electric Cooperative, Inc.
Douglas	15.50	49.50	92.00	134.50		Alaska Electric Light & Power Company
Eagle River	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.
Egegik	54.79	273.95	547.90	821.85	33.32¢/KWH	Egegik Light and Power Homer Lee Leonard d/b/a
Fairbanks	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Fort Yukon	45.01	165.09	277.69	390.29	18.56¢/KWH	Gwitchyaa Zhee Utility Company

(1) State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.

ALASKA PUBLIC UTILITIES COMMISSION

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES (CONT.)
 (As of December 31, 1985 - Fuel Cost Rate Adjustments Included where Available)

COMMUNITY	100 KWH	500 KWH	1,000 KWH	1,500 KWH	Power Cost Equalization (1)	UTILITY SERVING COMMUNITY
Glennallen	\$ 26.40	\$100.10	\$185.10	\$270.10		Copper Valley Electric Association, Inc.
Haines	25.45	90.45	165.93	236.68	.0594¢/KWH	Haines Light & Power Company, Inc.
Hallbut Cove	23.32	57.62	100.50	143.38		Homer Electric Association, Inc.
Healy	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Homer	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Hoonah	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Hope	11.59	36.01	66.52	97.04		Chugach Electric Association, Inc.
Hydaburg	27.64	121.52	238.87	356.22	14.83¢/KWH	Alaska Power & Telephone Company
Iliamna	45.57	227.85	455.70	683.55	26.02¢/KWH	I-N-W Electric Cooperative, Inc.
Juneau	15.50	49.50	92.00	134.50		Alaska Electric Light & Power Company
Kake	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Kasaan	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Kenai	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Klawock	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Kodiak	14.93	67.15	120.20	170.75		Kodiak Electric Association, Inc.
Kotzebue	31.60	111.76	211.96	312.16	9.98¢/KWH	Kotzebue Electric Association, Inc.
Levelock	52.00	260.00	520.00	780.00	41.80¢/KWH	Levelock Electric Cooperative, Inc.
Manokotak	30.00	150.00	300.00	450.00	21.10¢/KWH	Manokotak Power Company
McGrath	39.95	188.27	361.54	534.81	28.26¢/KWH	McGrath Light & Power Company
Moose Pass	11.59	36.01	66.52	97.04		Chugach Electric Association, Inc.
Napaklak	47.00	235.00	470.00	705.00	38.50¢/KWH	Napaklak Incinaq Power Company
Nanana	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Ninilchik	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.

(1) State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.

ALASKA PUBLIC UTILITIES COMMISSION

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES (CONT.)
 (As of December 31, 1985 - Fuel Cost Rate Adjustments Included Where Available)

COMMUNITY	100 KWH	500 KWH	1,000 KWH	1,500 KWH	Power Cost Equalization (1)	UTILITY SERVING COMMUNITY
North Pole	\$ 19.99	\$ 59.93	\$101.11	\$142.29		Golden Valley Electric Association, Inc.
Northway	27.53	137.65	275.30	412.95	19.03¢/KWH	Northway Power & Light, Inc.
Palmer	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.
Pelican	15.10	75.50	151.00	226.50	2.99¢/KWH	Pelican Utility Company
Port Graham	23.32	57.62	100.50	143.38		Homer Electric Association, Inc.
Port Lions	14.93	67.15	120.20	170.85		Kodiak Electric Association, Inc.
Red Devil	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Sand Point (2)	30.10	142.79	280.44	418.09	6.66¢/KWH	Sand Point Electric Company, Inc.
Seldovia	23.32	57.62	100.50	143.38		Homer Electric Association, Inc.
Skagway	24.66	86.29	159.54	232.79	5.16¢/KWH	Alaska Power & Telephone Company
Sleetmute	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Soldotna	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Sterling	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Stony River	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Talkeetna	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.
Tanana	44.50	211.90	405.40	598.90	23.32¢/KWH	Tanana Power Company, Inc.
Teller	53.75	268.75	537.50	806.25	40.37¢/KWH	Teller Power Company Helen M. and Robert R. Blodgett d/b/a
Tok/Dot Lake	25.11	110.60	213.40	306.50	9.31¢/KWH	Alaska Power & Telephone Company
Unalakleet	32.88	106.40	198.30	290.20	11.62¢/KWH	Matanuska Electric Association, Inc.
Valdez	23.40	87.00	164.10	240.60		Copper Valley Electric Association, Inc.
Wasilla	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.

(1) State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.

(2) Certificate No. 230 was transferred from Pelican Utility Company to Sand Point Electric Company, Inc., in 1986.

ALASKA PUBLIC UTILITIES COMMISSION

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES (CONT.)
 (As of December 31, 1955 - Fuel Cost Rate Adjustments Included Where Available)

<u>COMMUNITY</u>	<u>100 KWH</u>	<u>500 KWH</u>	<u>1,000 KWH</u>	<u>1,500 KWH</u>	<u>Power Cost Equalization (1)</u>	<u>UTILITY SERVING COMMUNITY</u>
Whittier	\$ 11.59	\$ 36.01	\$ 66.52	\$ 97.04		Chugach Electric Association, Inc.
Willow	18.44	52.18	94.55	133.01		Metanuska Electric Association, Inc.
Yakutat	24.06	98.50	183.80	264.10	7.17¢/KWH	Yakutat Power, Inc.

(1) State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.



HB 182
HB 182

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 13, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the power cost equalization program. The primary purpose of this bill is to reallocate money under the program in order to avoid increases in power costs for most residential customers, who are the key beneficiaries of the equalization program.

If this bill or similar legislation is not enacted, present law would require the Alaska Power Authority to prorate any funding shortfall in the program equally among all customer classes. Under the funding level proposed in my FY 88 budget, this provision in present law would result in power rate increases of more than 50 percent for many rural residents. This bill would establish residential customers as the first priority for full funding and would avoid any increase in power rates for residential customers using 500 kilowatt hours or less per month. This consumption level is about 25 percent higher than the statewide average residential power use under the equalization program.

The bill does the following:

- (1) it reduces the cap for community facility users from 70 to 50 kilowatt-hours per month per resident (secs. 1 and 2 of the bill);
- (2) it reduces the cap for residential and commercial users from 750 to 500 kilowatt-hours per month (secs. 1, 2, and 4 of the bill);
- (3) it changes the means of allocating insufficient appropriations; residential users have first priority for full funding; community facilities have second priority, and commercial users have third priority; if money is insufficient to fund any class of user, the money will be distributed on a pro rata basis to the eligible users in that class (secs. 3 and 6 of the bill);

- (4) it redefines "community facility" to clarify that the subsidy is intended for facilities essential to the public health, safety, and welfare of the community, if the facility's operations are not paid for by the federal, state, or private commercial interests (sec. 5 of the bill);
- (5) it adds a new definition for "eligible customer" so that only three classes of customers are eligible for the subsidy: residential customers, private commercial customers with a limited power usage, and community facilities (sec. 5 of the bill);
- (6) it makes amendments to conform to the changes described above (sec. 7 of the bill).

This bill is just the first step in what I believe should be a more comprehensive redirection of state policy on reducing rural energy costs. We need to implement programs that provide lasting, long-term benefits to rural residents, rather than annual, one-time subsidies. Although the power cost equalization program has played a major role in reducing the cost of living in rural areas, it provides no lasting benefits and is completely dependent on the annual appropriations process.

Most rural communities will probably have to rely on diesel power generation for the foreseeable future, but there is much that can be done to improve the efficiency and reduce the cost of power from these generation systems. These cost-saving measures include the replacement of oversized or inefficient generators, transmission improvements, coordination of fuel purchases among villages, and the use of more efficient lighting and refrigeration systems to reduce power demand.

These types of energy efficiency improvements can provide long-term reductions in power costs which are not dependent on annual appropriations from the legislature. Although implementing these measures will require substantial investments in rural power systems, in most cases these investments can be repaid from savings in fuel costs within a few years. The Alaska Power Authority and the Department of Community and Regional Affairs are now evaluating financing methods that would not necessitate state appropriations to make these improvements.

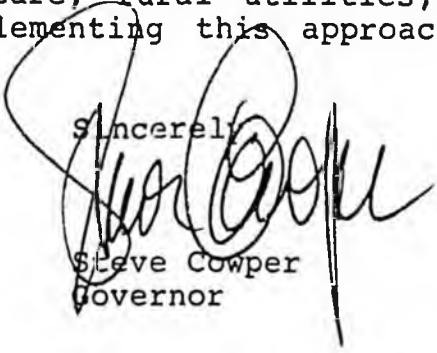
I believe that this shift in rural energy policy toward lasting improvements, rather than annual subsidies, will

Hon. Ben Grussendorf

Page 3

benefit rural residents while reducing the cost of state energy assistance programs. My administration will work closely with the legislature, rural utilities, and other concerned parties in implementing this approach to rural power needs.

Sincerely,



Steve Cowper
Governor

REQUEST

Bill/Resolution No. : _____
 Title : An Act Related to the Power
Cost Equalization Program

Sponsor : Governor Steve Cooper
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Alaska Power Authority
 BRU : 08-08-24-09-00

Components : Power Cost Equalization
Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
GRANTS, CLAIMS						
MISCELLANEOUS	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
TOTAL OPERATING						

CAPITAL	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92

REVENUE	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92

FUNDING : (Thousands of Dollars)

GENERAL FUND	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
FEDERAL FUNDS	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
OTHER						
TOTAL	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)

POSITIONS :

FULL-TIME	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The legislation would reduce the funding requirements of the Power Cost Equalization Program in FY 88 by an estimated \$5,799.7 through restrictions on eligible consumption levels and customers. This reduction is already included in the Governor's Budget. Cost savings in FY 89-92 would probably be larger than in FY 88, but are difficult to estimate accurately; therefore, the FY 88 estimate is used for each of these years. (See attached schedule for detail.)

Prepared by : Gloria Manni, Director Phone : 261-7210

Division : Accounting & Administration Date : 3/10/87

Executive Director:

Approved by Commissioner: Bob LeResche Date : 3/10/87

Agency : Alaska Power Authority, DCFD

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

POWER COST EQUALIZATION PROGRAM (AS 44.83.162-165)
FY 88 PROGRAM REQUIREMENTS

<u>Customer Class</u>	<u>Full Funding*</u>	<u>Governor's Budget**</u>
Residential	\$12,569.4	\$10,809.7
Commercial	3,790.8	648.6
Community Facilities	<u>3,591.3</u>	<u>2,693.5</u>
Total Grants	19,951.5	14,151.8
Administrative Costs	<u>137.3</u>	<u>137.3</u>
Total Program Costs	\$20,088.8	\$14,289.1
Funding Carryover	<u>-3,217.1</u>	<u>-3,217.1</u>
FY 88 PROGRAM REQUIREMENTS	<u>\$16,871.7</u>	<u>\$11,072.0</u>

FY 88 Reduction from Full Funding Level = \$5,799.7

* Full program funding required under the existing statutes.

** Program funding required under new legislation proposing the following changes:

Lower residential cap from 750 KWH per month to 500 KWH

Lower community facilities cap from 70 KWH per month per resident to 50 KWH. Restrict eligible community facilities to exclude non-essential services and buildings.

Lower commercial customer cap from 750 KWH per month to 500 KWH and limit eligible commercial customers to those using no more than 1,000 KWH per month.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 13, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the power cost equalization program. The primary purpose of this bill is to reallocate money under the program in order to avoid increases in power costs for most residential customers, who are the key beneficiaries of the equalization program.

If this bill or similar legislation is not enacted, present law would require the Alaska Power Authority to prorate any funding shortfall in the program equally among all customer classes. Under the funding level proposed in my FY 88 budget, this provision in present law would result in power rate increases of more than 50 percent for many rural residents. This bill would establish residential customers as the first priority for full funding and would avoid any increase in power rates for residential customers using 500 kilowatt hours or less per month. This consumption level is about 25 percent higher than the statewide average residential power use under the equalization program.

The bill does the following:

- (1) it reduces the cap for community facility users from 70 to 50 kilowatt-hours per month per resident (secs. 1 and 2 of the bill);
- (2) it reduces the cap for residential and commercial users from 750 to 500 kilowatt-hours per month (secs. 1, 2, and 4 of the bill);
- (3) it changes the means of allocating insufficient appropriations; residential users have first priority for full funding; community facilities have second priority, and commercial users have third priority; if money is insufficient to fund any class of user, the money will be distributed on a pro rata basis to the eligible users in that class (secs. 3 and 6 of the bill);

- (4) it redefines "community facility" to clarify that the subsidy is intended for facilities essential to the public health, safety, and welfare of the community, if the facility's operations are not paid for by the federal, state, or private commercial interests (sec. 5 of the bill);
- (5) it adds a new definition for "eligible customer" so that only three classes of customers are eligible for the subsidy: residential customers, private commercial customers with a limited power usage, and community facilities (sec. 5 of the bill);
- (6) it makes amendments to conform to the changes described above (sec. 7 of the bill).

This bill is just the first step in what I believe should be a more comprehensive redirection of state policy on reducing rural energy costs. We need to implement programs that provide lasting, long-term benefits to rural residents, rather than annual, one-time subsidies. Although the power cost equalization program has played a major role in reducing the cost of living in rural areas, it provides no lasting benefits and is completely dependent on the annual appropriations process.

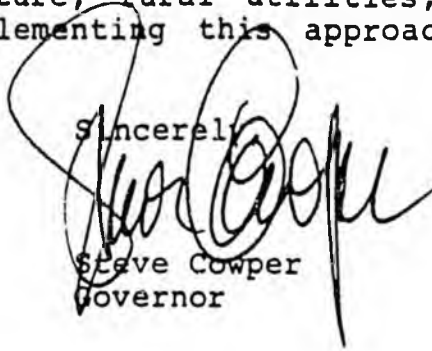
Most rural communities will probably have to rely on diesel power generation for the foreseeable future, but there is much that can be done to improve the efficiency and reduce the cost of power from these generation systems. These cost-saving measures include the replacement of oversized or inefficient generators, transmission improvements, coordination of fuel purchases among villages, and the use of more efficient lighting and refrigeration systems to reduce power demand.

These types of energy efficiency improvements can provide long-term reductions in power costs which are not dependent on annual appropriations from the legislature. Although implementing these measures will require substantial investments in rural power systems, in most cases these investments can be repaid from savings in fuel costs within a few years. The Alaska Power Authority and the Department of Community and Regional Affairs are now evaluating financing methods that would not necessitate state appropriations to make these improvements.

I believe that this shift in rural energy policy toward lasting improvements, rather than annual subsidies, will

benefit rural residents while reducing the cost of state energy assistance programs. My administration will work closely with the legislature, rural utilities, and other concerned parties in implementing this approach to rural power needs.

Sincerely,



Steve Cowper
Governor

STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : April 9, 1987

REQUEST

Bill/Resolution No. : CSHB 182 (L & C)
 Title : An Act Relating to the Power
 Cost Equalization Program
 Sponsor : Governor Steve Cowper
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Alaska Power Authority
 BRU : Department of Commerce & Economic
 Development
 Components : Power Cost Equalization
 Program (PCEP)

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)
MISCELLANEOUS						
TOTAL OPERATING	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)
FEDERAL FUNDS						
OTHER						
TOTAL	0	(3089.0)	(4496.7)	(5470.4)	(6433.5)	(7600.7)

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The proposed legislation would reduce the funding requirements of the Power Cost Equalization Program through incremental restrictions on eligible consumption levels (See attached schedule for details).

Prepared by: Gloria Manni, Director Phone: 261-7210
 Division: Account. & Admin., Alaska Power Authority Date: April 10, 1987

Approved by Exec. Dir.: Robert E. LeResche Date: _____
 Agency: Alaska Power Authority

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

ALASKA POWER AUTHORITY
 POWER COST EQUALIZATION PROGRAM
 PROJECTED PROGRAM REQUIREMENT BY FISCAL YEAR
 RESULTING FROM PROGRAM CHANGES PROPOSED IN CSHB 182

	<u>Customers All Classes</u>	<u>Community Facilities</u>	<u>Total Subsidy</u>	<u>Admin Costs</u>	<u>Total Program Requirement</u>	<u>Program Requirements (Reduction)</u>	
						<u>%</u>	<u>\$</u>
A. FY88 Projected Program Requirements Under Existing Legislation (1):	\$ 16,360.2	\$ 3,591.3	\$ 19,951.5	\$ 137.3	\$ 20,088.8	0	0
Projected Program Requirement Under CSHB 182 (2):							
FY88	13,503.9	3,358.6	16,862.5	137.3	16,999.8	(15.4)	(3,089.0)
FY89	12,096.2	3,358.6	15,454.8	137.3	15,592.1	(22.4)	(4,496.7)
FY90	11,122.5	3,358.6	14,481.1	137.3	14,618.4	(27.2)	(5,470.4)
FY91	10,159.4	3,358.6	13,518.0	137.3	13,655.3	(32.0)	(6,433.5)
FY92	8,992.2	3,358.6	12,350.8	137.3	12,488.1	(37.8)	(7,600.7)

B. Power Cost Equalization Program Level of Subsidy

1. Customers: 750 kwh x mo
 Community Facilities: 70 kwh x mo x resident
2. Customers:
 - a. FY88, 500 kwh x mo
 - b. Beginning FY89 reduced by 50 kwh x mo each fiscal year until the maximum subsidy is based on 250 kwh X mo
 Community Facilities: 50 kwh x mo x resident

PC1 BY: EPO TELECOPIER TOLD : 4-11-87 12:57PM :
 SENT BY: A. P. A. : 4-11-87 : 11:53 :
 5072053888 :
 5072053888 :

STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : _____
 Title : An Act Related to the Power
Cost Equalization Program (HB 182)

 Sponsor : Governor Steve Cowper
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Alaska Power Authority
 BRU : 08-08-24-09-00

 Components : Power Cost Equalization
Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
GRANTS, CLAIMS						
MISCELLANEOUS	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)	(5,799.7)

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The legislation would reduce the funding requirements of the Power Cost Equalization Program in FY 88 by an estimated \$5,799.7 through restrictions on eligible consumption levels and customers. This reduction is already included in the Governor's Budget. Cost savings in FY 89-92 would probably be larger than in FY 88, but are difficult to estimate accurately; therefore, the FY 88 estimate is used for each of these years. (See attached schedule for detail.)

Prepared by: Gloria Manni, Director Phone: 261-7210
 Division: Accounting & Administration, APA Date: 3/10/87
 Executive Director:
 Approved by Commissioner: Bob LeResche Date: 3/10/87
 Agency: Alaska Power Authority, DCFD

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

POWER COST EQUALIZATION PROGRAM (AS 44.83.162-165)
FY 88 PROGRAM REQUIRMENTS

<u>Customer Class</u>	<u>Full Funding*</u>	<u>Governor's Budget**</u>
Residential	\$12,569.4	\$10,809.7
Commercial	3,790.8	648.6
Community Facilities	<u>3,591.3</u>	<u>2,693.5</u>
Total Grants	19,951.5	14,151.8
Administrative Costs	<u>137.3</u>	<u>137.3</u>
Total Program Costs	\$20,088.8	\$14,289.1
Funding Carryover	<u>-3,217.1</u>	<u>-3,217.1</u>
FY 88 PROGRAM REQUIREMENTS	<u>\$16,871.7</u>	<u>\$11,072.0</u>

FY 88 Reduction from Full Funding Level = \$5,799.7

* Full program funding required under the existing statutes.

** Program funding required under new legislation proposing the following changes:

Lower residential cap from 750 KWH per month to 500 KWH

Lower community facilities cap from 70 KWH per month per resident to 50 KWH. Restrict eligible community facilities to exclude non-essential services and buildings.

Lower commercial customer cap from 750 KWH per month to 500 KWH and limit eligible commercial customers to those using no more than 1,000 KWH per month.

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

DIVISION OF POLICY

P.O. BOX 40
JUNEAU, ALASKA 99811
PHONE: (907) 465-3568

April 1, 1987

The Honorable Dave Donley
Representative
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

SUBJECT: HB 182 -- Power Cost Equalization

Dear Representative Donley:

At the March 26 Labor & Commerce Committee hearing on HB 182, Representative Koponen requested that our office provide additional information and comments on several issues raised during the hearing.

Current Rural Power Rates

Attachment 1 provides a list of power rates for residential and commercial customers of regulated rural utilities. Rate information for unregulated utilities is not readily available; however, the rates shown in Attachment 1 provide a good sample of utilities throughout the state.

The first table in Attachment 1 is from the Alaska Power Authority and shows total power costs, rather than customer rates; PCE payments are not reflected in these figures. PCE rates are shown in the second table, provided by the Alaska Public Utilities Commission.

An important point concerning customer rates under the PCE program is that customers pay more than the 8.5 cents per kWh specified in the PCE statutes. This 8.5 cent figure applies to the calculation of the PCE rate paid to utilities, not directly to the customer rate. The average rate paid by residential customers under the PCE program is about 13 cents per kWh.

ARECA PCE Proposal

At the March 26 hearing, Mr. Ken Johnson, representing the Alaska Rural Electrical Cooperative Association (ARECA), proposed an

alternative method of allocating reduced funding for the PCE program. Mr. Johnson's proposal included the following elements:

- Raise the current PCE floor of 8.5 cents per kilowatt-hour (kWh) to 11.25 cents per kWh, which Mr. Johnson indicates is the current rate paid by Fairbanks residential customers.
- If the previous step is not sufficient to meet funding restrictions, then reduce the 95 percent multiplier in present law to 90 percent.
- If the previous two steps are not sufficient to meet funding restrictions, reduce the current 750 kWh per month cap for residential and commercial customers to 500 kWh.

The Alaska Power Authority (APA) has estimated the funding reductions which would result from each of the elements in the ARECA proposal. For purposes of comparison, HB 182 would reduce the cost of the PCE program by about \$5.8 million.

Raising the PCE floor from 8.5 cents per kWh to 11.25 cents per kWh would reduce the funding requirement by about \$3.9 million.

Reducing the 95 percent multiplier to 90 percent, with a PCE floor of 11.25 cents, would save about \$600,000, for a combined savings of about \$4.5 million. Thus, in order to meet the PCE funding level included in the Governor's FY 88 budget, an additional \$1.3 million would have to be deleted from the program. According to ARECA's proposal, the next step would be to lower the 750 kWh per month cap to 500 kWh. However, lowering the consumption cap would result in a program cost reduction of approximately \$2.7 million -- much more than the \$1.3 million required.

It appears that in order to match the Governor's proposed funding level, the most workable variation of the ARECA proposal would be to raise the PCE floor to 11.25 cents and lower the consumption cap from 750 to 500 kWh per month. This would produce a total cost reduction of about 5.6 million. If necessary, the 95 percent multiplier could be reduced by one or two percent to match the proposed funding level. If the consumption cap were not reduced to 500 kWh per month, the multiplier would have to be reduced to about 85 percent to match the proposed funding level.

Rate Impacts of the ARECA proposal

The ARECA proposal would result in what we feel are unacceptable rate impacts for residential customers. Raising the PCE floor to 11.25 cents would require a rate increase for all customers of 2.75 cents (11.25 - 8.5). At an average residential rate of 13 cents per kWh, this would amount to a rate increase of 21 percent.

The effect of reducing the 95 percent multiplier would vary depending on the PCE rate of each utility. Using the Alaska Village Electric Cooperative (AVEC) as a mid-range example, reducing the multiplier to 85 percent would require an additional rate increase of about 16 percent, for a total rate increase of about 40 percent. If the consumption cap were reduced to 500 kWh while leaving the multiplier at 95 percent, rate increases for most residential customers would be limited to the 21 percent required by raising the floor to 11.25 cents.

In comparison to HB 182, the ARECA proposal favors large commercial customers and community facilities at the expense of small residential customers. We are flexible in our approach to reducing PCE funding; however, we feel strongly that any changes made to the program must protect those customers who need the program the most. These are the small residential customers with limited cash incomes, who might use only 2-300 kWh per month. Under the ARECA proposal, these customers would face rate increases of 20 - 40 percent.

The "200 kWh PCE" Proposal

Representative Koponen also asked that we comment on the proposal made by Mr. Alan Mitchell, under which PCE customers would be provided free electricity up to a level of approximately 200 kWh per month. While we support Mr. Mitchell's objective of increasing incentives for the use of efficiency and conservation measures, his proposal involves a major redistribution of PCE benefits from larger to smaller PCE customers. For example, a customer using only 200 kWh per month would benefit greatly from this concept, while a customer using 500 kWh or more per month would probably face substantial increases in power costs. This proposal goes well beyond the restructuring of the PCE program in HB 182, and we do not recommend that the proposal be adopted.

The Diesel "Low-Load" Problem

Representative Koponen raised this issue in response to Mr. Mitchell's testimony on the benefits of efficiency and conservation measures. Essentially, the problem is that most diesel generators are designed to operate at relatively high load factors, and at low loads of 20 or 30 percent, fuel efficiency declines and maintenance problems can develop. Representative Koponen expressed concern that conservation measures could increase these problems by reducing load levels.

This is a valid concern which must be considered on a case-by-case basis, depending on the generation capacity and load characteristics of each utility. However, we believe that conservation

Representative Donley
April 1, 1987
Page 4

measures can play still play a major role in holding down rural power costs, for several reasons. First, although diesel fuel efficiency does decline somewhat at lower loads, with the high cost of fuel in most villages, utilities can still obtain substantial savings by reducing or limiting growth in power demand.

Second, while many rural utilities tend to have oversized generators, others are nearing their generation capacity and will have to acquire additional units unless demand growth can be limited by conservation or other measures. Second, diesel generators are replaced relatively frequently in comparison to the larger power plants used in urban areas. While conservation may not be as effective in a village with an oversized generator, it can enable the utility to purchase a smaller generator to replace the oversized unit when it wears out.

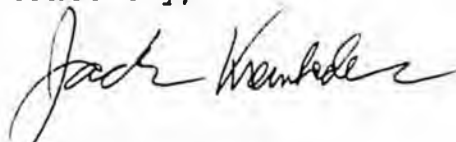
Third, some types of conservation measures can help to reduce the low-load problem. In many villages, this is a seasonal summer problem because loads are high in the winter and low in the summer. By targeting conservation measures at electrical uses which contribute to the winter peak, such as lighting, the wide swings in seasonal demand can be reduced.

The best solution to the low-load problem is the use of two or more generators in series, which allows a utility to use a small generator during its daily or seasonal low points in demand, then bring additional unit(s) as demand increases. This load following procedure is used by most of the larger rural utilities, but is not yet employed by many smaller utilities.

* * * * *

I hope this information is helpful. Please let me know if we can be of further assistance.

Sincerely,



Jack Kreinheder
Senior Analyst

MEMORANDUM

State of Alaska

TO: Jack Kreinheder, Senior Analyst
Office of the Governor
Division of Policy

DATE: March 31, 1987

FILE NO.:

THRU:

TELEPHONE NO.: 261-7210

FROM: *P. Mann*
Gloria Manni, Director
Accounting & Administration

SUBJECT: Power Cost Equalization
Program (PCEP)
Analysis of FY88 Funding
Requirements

As per your request, the attached schedule summarizes the projected program requirements under decreasing percentages of power cost equalization provided to utilities per kwh sold and in combination with either the existing floor of 8.5 cents per kwh or a floor of 11.25 cents per kwh.

The variance percentages of the subsidy requirement have been calculated on the standard sample group of utilities and applied program wide. Administrative costs are not included in the projections.

The alternative closest to the \$14,289.1 program funding in the FY88 Budget of the Governor are achieved by raising the PCEP floor to 11.25 cents per kwh and decreasing the percentage of power cost equalization provided per kwh sold to 85% and 80%.

Please call me if you have any questions.

GM:tg

cc: R.E. LeResche, Director, Alaska Power Authority

Alaska Power Authority

POWER COST EQUALIZATION PROGRAM - FY88 Analysis of Projected Program Requirement March 29, 1987

% of Power Costs x kwh <u>(1)</u>	Power Costs 8.5 - 52.5¢ x kwh <u>(2)</u>	% Variance From Base	Power Costs 11.25 - 52.5¢ x kwh <u>(3)</u>	% Variance From Base(A)
95	(A) 19951.5	0	16053.0	80.46
90	18195.8	91.20	15472.4	77.55
85	17180.2	86.11	14311.2	71.73
80	16170.7	81.05	13425.4	67.29
75	15163.1	76.00	12627.3	63.29

ANALYSIS ASSUMPTIONS:

- 750 kwh x mo x customer
- 70 kwh x mo x resident/community facilities
- Decreasing percentages of power cost equalization provided x kwh sold (1)
- Power costs more than 8.5¢ and less than 52.5¢ x kwh eligible for PCEP subsidy (2)
- Power costs more than 11.25¢ and less than 52.5¢ X kWh eligible for PCEP subsidy (3)

Note:

(A) = PCEP subsidy requirements under existing legislation, as presented in the Power Authority original FY88 budget request

ATTACHMENT 1
 1985 Energy Use (Kwh) and Billing Charges (¢/Kwh)
 ALASKA UTILITIES BY REGION
 (Page 2 of 2)

Region/Community	Utility	Residential (Average Annual)			Commercial/Industrial (Average Annual)			TOTAL (Average Annual)		
		Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh	Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh	Use Kwh/Cust.	Bill \$/Cust.	Charge(1) ¢/Kwh
ARCTIC - NORTHWEST										
48 Villages	AVEC	2,777	1,257	45.3	14,007	5,692	40.6	5,962	2,467	41.3
Barrow	BU&EC	4,953	644	13.0	64,157	5,774	9.0	18,981	1,923	10.1
Deadhorse	AUI	0	0	0	656,851	167,431	25.4	656,851	167,431	25.4
Kotzebue	KtEA	6,046	1,377	22.8	52,340	11,149	21.3	14,106	30,794	21.8
Nome	NJUB	5,394	1,041	19.3	29,889	472	15.8	10,604	2,085	19.6
Unalakleet	UVEC	5,198	1,160	22.3	31,930	6,761	21.1	10,759	2,326	21.6
Regional Average		3,967	1,145	33.1	50,722	8,195	21.2	32,927	5,752	29.9
SOUTHWEST										
Aniak	APC	3,787	1,634	43.2	35,310	13,386	37.9	9,165	3,638	39.7
Bethel	BUC	5,079	970	19.1	58,598	9,832	16.8	13,495	2,363	17.5
Cold Bay	G&K	15,276	3,207	21.0	61,537	13,171	21.4	42,371	9,048	21.4
Dillingham	NEC	5,251	1,069	20.4	27,927	5,300	19.0	10,740	2,111	19.7
Egegik	EL&P	3,740	2,131	57.0	7,152	4,076	57.0	4,635	2,670	57.0
Levelock (3)	LEC	3,825	2,173	57.9	12,240	6,391	53.2	6,350	3,123	50.1
McGrath	MGL&P	3,359	1,224	36.4	13,596	5,165	38.0	8,089	3,045	37.6
Naknek	NEA	5,961	1,377	23.1	30,775	7,101	23.1	14,139	3,264	23.1
Napaklak (3)	NHC	3,224	983	30.5	14,425	4,502	31.2	4,214	1,294	30.7
Regional Average		5,106	1,151	23.4	36,089	7,544	24.0	15,808	2,646	22.8
Alaska Average		9,027	801	14.3	74,724	5,916	9.2	19,363	1,693	9.5

NOTE: (1) These charges do not reflect the actual costs to consumers of utilities eligible under the State Power Cost Equalization Program.
 (2) Regional averages are weighted by population.
 (3) E: Estimated.

1985 Energy Use (Kwh) and Billing Charges (¢/Kwh)

ALASKA UTILITIES BY REGION

(Page 1 of 2)

Region/Community	Utility	Residential (Average Annual)			Commercial/Industrial (Average Annual)			TOTAL Average Annual)		
		Use	Bill	Charge(1)	Use	Bill	Charge(1)	Use	Bill	Charge(1)
		Kwh/Cust.	\$/Cust.	¢/Kwh	Kwh/Cust.	\$/Cust.	¢/Kwh	Kwh/Cust.	\$/Cust.	¢/Kwh
SOUTHEAST										
AP&T (Incl. Tok)	AP&T	4,780	789	16.5	22,580	3,424	15.2	11,086	1,679	15.1
Auke Bay	GHEA	11,346	1,639	14.4	39,161	2,741	7.0	14,496	1,923	13.3
5 Villages	THREA	5,227	1,829	35.0	23,563	8,483	36.0	8,925	3,122	35.0
Haines	HL&P	5,833	1,102	18.9	25,966	4,385	16.9	10,666	1,806	16.9
Juneau	AEL&P	12,695	922	7.3	50,858	3,830	7.5	21,019	1,545	7.3
Ketchikan	KPU	9,777	909	9.3	47,818	4,339	9.1	15,836	1,455	9.2
Metlakatla	MP&L	17,186	1,047	6.1	116,395	11,902	10.2	30,709	2,543	8.3
Petersburg	PMP&L	6,414	691	10.8	60,839	6,030	9.9	14,544	1,489	10.2
Sitka	SED	10,997	745	6.8	63,876	4,156	6.5	22,794	1,499	6.6
Wrangell	WML&P	5,611	865	15.4	24,083	2,714	11.3	10,811	1,399	12.9
Yakutat	YPI	7,008	1,339	19.1	62,286	9,984	16.0	14,411	2,498	17.3
Regional Average (2)		10,395	954	10.3	49,376	4,398	9.9	18,051	1,622	9.9
SOUTHCENTRAL										
Kodiak	KdEA	6,037	1,026	17.0	58,947	9,137	15.5	20,108	3,016	15.0
Port Lions	KdEA	3,637	655	18.0	8,909	1,532	17.2	5,065	912	18.0
Anchorage	AML&P	7,360	487	6.6	120,659	7,155	5.9	26,810	1,641	6.1
	CEA	9,658	640	6.4	76,199	4,524	5.9	16,312	1,043	6.4
	MEA	11,762	1,057	9.0	60,711	4,330	7.1	15,915	1,429	9.0
Cordova	CEC	5,688	1,378	24.2	27,538	5,262	19.1	13,316	2,709	20.3
Glennallen	CVEA	4,941	998	20.2	58,965	9,788	16.6	17,673	3,057	17.3
Homer	HEA	10,926	871	8.4	103,728	6,797	6.5	23,630	1,723	7.3
Seward	SES	10,040	1,014	10.1	35,415	3,391	9.5	19,021	1,869	9.8
Valdez	CVEA	7,994	1,223	15.3	69,353	9,952	14.3	20,860	3,025	14.5
Regional Average		9,583	742	7.8	85,587	5,871	7.4	19,105	1,435	7.5
YUKON										
Fairbanks	FMUS	5,862	511	8.7	69,738	6,314	9.1	21,126	1,942	9.0
	CVEA	8,103	871	10.7	71,935	6,710	9.3	15,303	1,548	10.0
Fort Yukon	CZUC	1,841	801	43.5	16,614	5,737	34.5	6,233	2,269	36.4
Manley Hot Springs	MUC	2,400	573	23.8	6,700	1,670	24.9	3,014	730	24.2
Northway	NP&L	3,057	893	29.2	55,059	14,841	27.0	13,198	3,610	27.4
Tanana	TPC	5,068	1,926	38.0	81,684	29,406	36.0	9,500	3,552	37.0
Regional Average		7,613	812	10.8	69,944	6,627	9.9	16,194	1,650	10.3

ALASKA PUBLIC UTILITIES COMMISSION-ANNUAL REPORT (Fiscal Year Ending 6/30)

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES

(As of December 31, 1985 - Fuel Cost Rate Adjustments Included Where Available)

COMMUNITY	100 KWH	500 KWH	1,000 KWH	1,500 KWH	Power Cost Equalization (1)	UTILITY SERVING COMMUNITY
Anchorage	\$ 10.43	\$ 34.16	\$ 63.83	\$ 93.49		Municipal Light & Power Department, Municipality of Anchorage d/b/a
Anchorage	11.59	36.01	66.52	97.04		Chugach Electric Association, Inc.
Andreanof	55.00	200.00	325.00	450.00	26.50¢/KWH	Andreanof Electric Corporation
Angoon	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Aniak	42.48	202.68	395.63	588.58	22.35¢/KWH	Aniak Light and Power Company, Inc.
AVEC Communities	44.15	220.75	441.50	662.25	29.69¢/KWH	Alaska Village Electric Cooperative, Inc.
Barrow	15.00	66.00	121.56	177.12		Barrow Utilities and Electric Cooperative, Inc.
Bethel	22.38	93.46	173.86	254.27	7.26¢/KWH	Bethel Utilities Corporation, Inc.
Bettles	49.50	247.50	495.00	742.50	35.19¢/KWH	Bettles Light & Power, Inc.
Central	50.89	254.45	508.90	763.35	33.38¢/KWH	Far North Utilities
Chuathbaluk	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Chugiak	18.44	52.13	94.35	133.01		Matanuska Electric Association, Inc.
Cold Bay	36.15	140.75	271.50	402.25	15.43¢/KWH	G & K, Inc.
Copper Center	26.40	100.10	185.10	270.10		Copper Valley Electric Association, Inc.
Craig	21.28	92.84	182.29	271.74	7.41¢/KWH	Alaska Power & Telephone Company
Crooked Creek	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Delta Junction	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Dillingham	26.57	100.34	186.70	273.18	9.64¢/KWH	Hushagak Electric Cooperative, Inc.
Douglas	15.50	49.50	92.00	134.50		Alaska Electric Light & Power Company
Eagle River	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.
Egegik	54.79	273.95	547.90	821.85	33.32¢/KWH	Egegik Light and Power Homer Lee Leonard d/b/a
Fairbanks	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Fort Yukon	45.01	165.09	277.69	390.29	18.66¢/KWH	Gwitchyaa Zhee Utility Company

(1) State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.

ALASKA PUBLIC UTILITIES COMMISSION

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES (CONT.)
 (As of December 31, 1985 - Fuel Cost Rate Adjustments Included Where Available)

COMMUNITY	100 KWH	500 KWH	1,000 KWH	1,500 KWH	Power Cost Equalization (1)	UTILITY SERVING COMMUNITY
Glennallen	\$ 26.40	\$100.10	\$185.10	\$270.10		Copper Valley Electric Association, Inc.
Haines	25.45	90.45	165.93	225.58	.0594¢/KWH	Haines Light & Power Company, Inc.
Hallbut Cove	23.32	57.62	100.50	143.38		Homer Electric Association, Inc.
Healy	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Homer	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Hoonah	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Hope	11.59	36.01	66.52	97.04		Chugach Electric Association, Inc.
Hydaburg	27.64	121.52	238.87	356.22	14.83¢/KWH	Alaska Power & Telephone Company
Iliamna	45.57	227.85	455.70	683.55	26.02¢/KWH	I-N-N Electric Cooperative, Inc.
Junoau	15.50	49.50	92.00	134.50		Alaska Electric Light & Power Company
Kake	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Kasaan	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Kenai	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Klawock	37.06	175.90	337.70	499.50	21.93¢/KWH	Tlingit-Haida Regional Electrical Authority
Kodiak	14.93	67.15	120.20	170.75		Kodiak Electric Association, Inc.
Kotzebue	31.60	111.76	211.96	312.16	9.98¢/KWH	Kotzebue Electric Association, Inc.
Levelock	52.00	260.00	520.00	780.00	41.80¢/KWH	Levelock Electric Cooperative, Inc.
Manokotak	30.00	150.00	300.00	450.00	21.10¢/KWH	Manokotak Power Company
McGrath	39.95	188.27	361.54	534.81	28.26¢/KWH	McGrath Light & Power Company
Moose Pass	11.59	36.01	66.52	97.04		Chugach Electric Association, Inc.
Napakliak	47.00	235.00	470.00	705.00	38.50¢/KWH	Napakliak Ircinaq Power Company
Nenana	19.99	59.93	101.11	142.29		Golden Valley Electric Association, Inc.
Ninilchik	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.

(1) State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.

ALASKA PUBLIC UTILITIES COMMISSION

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES (CONT.)
(As of December 31, 1985 - Fuel Cost Rate Adjustments Included Where Available)

COMMUNITY	100 KWH	300 KWH	1,000 KWH	1,500 KWH	Power Cost Equalization ⁽¹⁾	UTILITY SERVING COMMUNITY
North Pole	\$ 19.99	\$ 59.93	\$101.11	\$142.29		Golden Valley Electric Association, Inc.
Northway	27.53	137.65	275.30	412.95	19.03¢/KWH	Northway Power & Light, Inc.
Palmer	18.44	52.16	94.35	133.01		Matanuska Electric Association, Inc.
Pelican	15.10	75.50	151.00	226.50	2.99¢/KWH	Pelican Utility Company
Port Graham	23.32	57.62	100.50	143.38		Homer Electric Association, Inc.
Port Lions	14.93	67.15	120.20	170.85		Kodiak Electric Association, Inc.
Red Devil	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Sand Point ⁽²⁾	30.10	142.79	280.44	418.09	6.66¢/KWH	Sand Point Electric Company, Inc.
Seldovia	23.32	57.62	100.50	143.38		Homer Electric Association, Inc.
Skagway	24.66	86.29	159.54	232.79	5.16¢/KWH	Alaska Power & Telephone Company
Sleetmute	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Soldotna	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Sterling	22.27	52.41	90.08	121.63		Homer Electric Association, Inc.
Stony River	59.00	295.00	590.00	885.00	41.80¢/KWH	Middle Kuskokwim Electric Cooperative, Inc.
Talkeetna	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.
Tanana	44.50	211.90	405.40	598.90	23.32¢/KWH	Tanana Power Company, Inc.
Teller	53.75	268.75	537.50	806.25	40.37¢/KWH	Teller Power Company Helen M. and Robert R. Blodgett d/b/a
Tok/Don Lake	25.11	110.60	213.40	306.50	9.31¢/KWH	Alaska Power & Telephone Company
Unalakleet	32.88	106.40	198.30	290.20	11.62¢/KWH	Matanuska Electric Association, Inc.
Valdez	23.40	87.00	164.10	240.60		Copper Valley Electric Association, Inc.
Wasilla	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.

(1) State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.

(2) Certificate No. 230 was transferred from Pelican Utility Company to Sand Point Electric Company, Inc., in 1986.

ALASKA PUBLIC UTILITIES COMMISSION

SAMPLE MONTHLY RESIDENTIAL ELECTRIC RATES (CONT.)
 (As of December 31, 1985 - Fuel Cost Rate Adjustments Included Where Available)

COMMUNITY	100 KWH	500 KWH	1,000 KWH	1,500 KWH	Power Cost Equalization ⁽¹⁾	UTILITY SERVING COMMUNITY
Whittier	\$ 11.59	\$ 36.01	\$ 66.52	\$ 97.04		Chugach Electric Association, Inc.
Willow	18.44	52.18	94.35	133.01		Matanuska Electric Association, Inc.
Yakutat	24.06	98.50	183.80	264.10	7.17¢/KWH	Yakutat Power, Inc.

⁽¹⁾ State assistance credited to customer bills on a cents/KWH basis for consumption up to 750 KWH per customer.

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF POLICY

STEVE COWPER, GOVERNOR

P.O. BOX 4D
JUNEAU, ALASKA 99811
PHONE: (907) 465-3568

April 23, 1987

The Honorable Sam Cotten
The Honorable Adelheid Herrmann
Co-chairs, House Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

SUBJECT: HB 182 (Power Cost Equalization)

Dear Representatives Cotten and Herrmann:

House Bill 182 is scheduled for hearing by the House Resources Committee on Friday, April 24. The purpose of this letter is to explain why HB 182 is necessary, to summarize the amendments made to HB 182 by the House Labor and Commerce Committee, and to present the position of the Governor's Office on these amendments.

Why HB 182 Is Needed

The main purpose of HB 182 is to prevent major increases in electric power rates for most rural residents. Under present law, the Alaska Power Authority (APA) is required to prorate any funding shortfall in the Power Cost Equalization (PCE) program equally among all customer classes. Under the funding level in the Governor's FY 88 budget, this provision would result in power rate increases of more than 50 percent for many rural residents. HB 182 would establish residential customers as the first priority for full funding and would avoid any increase in power rates for residential customers using 500 kilowatt hours (kWh) or less per month.

The specific provisions of HB 182 and the Administration's long term objectives for rural energy assistance are explained in Governor Cowper's transmittal letter, which was previously included in your bill files.

In testimony before the House Labor and Commerce Committee on HB 182, utility representatives and rural energy groups opposed HB 182 and argued for full funding of the PCE program. In light of our current fiscal situation and the cuts being made to other pass-through programs, we believe that full funding for PCE is simply not a realistic or equitable option.

Representative Cotten
Representative Herrmann
April 23, 1987
Page 2

According to projections by the APA, full funding for the PCE program would require an FY 88 appropriation of about \$16.9 million, or 22 percent more than the FY 87 revised appropriation of \$13.8 million. The Governor's budget proposes an FY 88 funding level of \$11.1 million, 20 percent less than the FY 87 revised level. This 20 percent reduction matches the cuts made in the Governor's budget to revenue sharing and municipal assistance, two of the largest pass-through programs.

If funding for PCE is to be reduced in FY 88, we believe that HB 182 provides a more equitable allocation of money under the program than would result from the proration mechanism in present law. The people who benefit the most from the PCE program are rural residents with limited cash incomes. HB 182 would avoid increases in power rates for these customers, even with reduced funding.

Labor and Commerce Committee Amendments

The House Labor and Commerce Committee made the following amendments to HB 182:

- A lengthy statement of findings on several positive results of the PCE program was added as Section 1;
- The provision limiting eligible commercial customers to those whose purchase of power does not exceed 1,000 kWh per month or 12,000 kWh per year was deleted;
- A provision was added which would reduce the cap on eligible PCE consumption from 500 kWh per month to 250 kWh per month over a period of five years, from FY 89 to FY 93 (Section 3).

Comments on Labor and Commerce Amendments

We do not support the two substantive changes made to HB 182 by the Labor and Commerce Committee. With regard to the amendment which would continue to include large commercial customers in the PCE program, the APA has estimated that this change will increase the cost of the PCE program by about \$1.4 million in comparison to the original version of HB 182. If the Governor's proposed PCE funding level is not increased by this amount, there would be a shortfall in funds available for commercial customers. This shortfall would be prorated across all commercial customers, raising power rates for small businesses as well as large.

Utility representatives have testified that excluding large commercial customers would be difficult to administer and could encourage these customers to generate their own electricity. We recognize these concerns; however, we believe it is better to

Representative Cotten
Representative Herrmann
April 23, 1987
Page 3

exclude large commercial customers, who would face relatively minor increases in power costs, than to increase power rates for small commercial customers who need the PCE program the most.

For example, under present law a business using 7,500 kWh per month receives a PCE subsidy for only the first 750 kWh, or 10 percent of its total consumption. The effect of excluding such a business from the PCE program on its power costs would vary, but in an average village, power costs for the business would increase by 5 - 10 percent. We believe such a rate increase is acceptable and would not cause any significant shift toward self-generation by large commercial customers.

We are also opposed to the Labor and Commerce amendment which would gradually reduce the cap on eligible PCE consumption from 500 kWh per month to 250 kWh per month. Although Governor Cowper favors shifting State energy assistance toward more lasting efficiency and conservation measures rather than annual subsidies such as PCE, we feel that it is premature to adopt the phaseout approach proposed by the Labor and Commerce substitute now. The Administration plans to carefully evaluate alternatives and possible improvements to the PCE program during the interim before considering further reductions in PCE funding.

We recommend that you either delete the two substantive amendments made to HB 182 by the Labor and Commerce Committee or adopt the original version of the bill as proposed by the Governor.

Thank you for your consideration of these recommendations. Given the short time remaining in the legislative session, we hope that you will act promptly on this legislation.

Sincerely,

MARY HALLORAN

Mary Halloran
Director

cc: House Finance Committee
Robert LeResche, Executive Director
Alaska Power Authority

OFFICE OF THE GOVERNOR
OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF POLICY

P O BOX AD
JUNEAU, ALASKA 99811
PHONE: (907) 465-3568

April 27, 1987

The Honorable Sam Cotten
The Honorable Adelheid Herrmann
Co-chairs, House Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

SUBJECT: HB 182 (Power Cost Equalization)

Dear Representatives Cotten and Herrmann:

At today's Resources Committee hearing on HB 182, Representative Shultz requested information on the cost reductions which would result from lowering the consumption cap for the Power Cost Equalization (PCE) program from 750 kWh per month to 500 kWh or 400 kWh per month, with no other changes to the program.

According to projections by the Alaska Power Authority, lowering the cap to 500 kWh per month would reduce the program cost by \$2,856,300. Lowering the cap to 400 kWh would save an additional \$1,711,900, for a total of \$4,568,200. This figure compares to projected savings under the original version of HB 182 of about \$5,799,700. The additional cost reductions under HB 182 result from restrictions on PCE funding for community facilities and limiting PCE funding for commercial customers to those using no more than 1,000 kWh per month or 12,000 kWh per year.

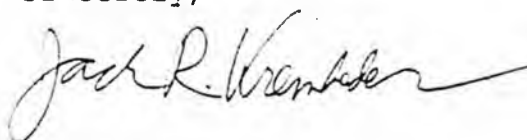
Attached are a chart and table showing estimated residential rate impacts from reduced funding levels if HB 182 is not enacted. The comparison is based on the Alaska Electric Village Cooperative (AVEC), which is the largest rural utility and has power costs typical of many villages. The chart and table demonstrate that under the 20 percent reduction in PCE funding proposed in the

Representative Cotten
Representative Herrmann
April 27, 1987
Page 2

Governor's FY 88 budget, residential power rates would increase by about 58 percent if the present PCE statute is not amended.

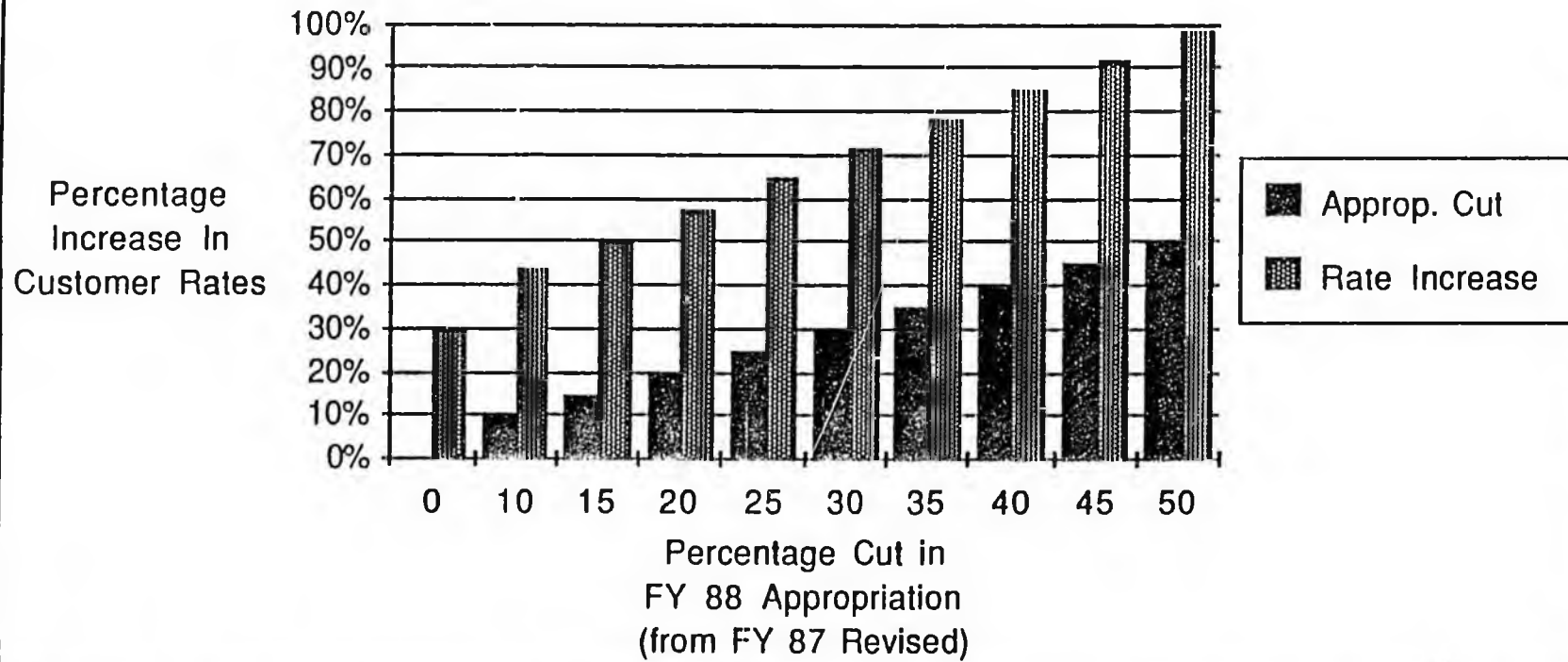
Please let me know if any members of the Resources Committee would like additional information on the PCE program or HB 182.

Sincerely,

A handwritten signature in cursive script that reads "Jack R. Kreinheder". The signature is written in dark ink and is positioned above the typed name.

Jack Kreinheder
Senior Analyst

Power Cost Equalization Rate Impacts for AVEC Villages (under present law)



**Power Cost Equalization Rate Impacts
From Reduced State Appropriations
(under Present Law)**

Sample Calculation for
Alaska Village Electric Cooperative (AVEC)

Total Power Cost (Dec. 86) = 40.23 Cents/kWh
FY 87 PCE Rate= 26.84 Cents/kWh

FY 87 Customer Rate = 13.39 Cents/kWh
(Residential)

FY 88 State Appropriation	Increase or (Reduction) from FY 87 Revised \$000's	Percentage Percentage	Percentage of Full Funding*	Prorated PCE Rate (cents/kWH)	Customer Rate Increase (cents/kWH)	Percentage Rate Increase
16,871.7	3,030.9	22%	100%	26.8	0.0	0%
15,224.9	1,384.1	10%	92%	24.6	2.2	16%
13,840.8	0.0	0%	85%	22.8	4.0	30%
12,456.7	(\$1,384.1)	(10%)	78%	20.9	5.9	44%
11,764.7	(\$2,076.1)	(15%)	75%	20.0	6.8	51%
11,072.6	(\$2,768.2)	(20%)	71%	19.1	7.7	58%
10,380.6	(\$3,460.2)	(25%)	68%	18.2	8.7	65%
9,688.6	(\$4,152.2)	(30%)	64%	17.2	9.6	72%
8,996.5	(\$4,844.3)	(35%)	61%	16.3	10.5	79%
8,304.5	(\$5,536.3)	(40%)	57%	15.4	11.4	85%
7,612.4	(\$6,228.4)	(45%)	54%	14.5	12.4	92%
6,920.4	(\$6,920.4)	(50%)	50%	13.5	13.3	99%

*Full funding level based on APA's projected FY 88 requirement of \$20,088.8.

Total available funding = FY 88 appropriation + estimated FY 87 carryover of \$3,217.1.

JK/Division of Policy
Office of the Governor
Revised 2/2/87

HB

183

(FILE 1)

Alaska State Legislature

RECEIVED JAN 20 1988

REPRESENTATIVE BILL HUDSON

P.O. BOX V
Juneau, Alaska
99811
(907)465-3744 or 4991

COMMITTEES
Transportation
HESS
Telecommunications
Fisheries
International Trade

January 18, 1988

Representative Adelheid Herrmann
Alaska State Legislature
Juneau, Alaska

Dear Adelheid:

Enclosed is a copy of HB 331, relating to the Game Board and game guiding in Alaska, together with the sectional analysis of HB 331.

Your comments would be most appreciated.

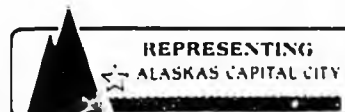
Once you have had a chance to review the enclosed, I'd be very interested in meeting with you to discuss the legislation.

I will be truly grateful, Adelheid, for your insight.

Respectfully yours,


Bill Hudson

Enclosures



RECEIVED JAN 20 1988

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 15, 1988

SUBJECT: Sectional analysis of HB 331
TO: Representative Bill Hudson
FROM: Edward H. Hein *EHA*
Legislative Counsel

Section 1 provides that the governor shall designate the chairman of the Guide Board, rather than having the board members elect a chairman as they currently do.

Section 2 prevents the Guide Board from considering evidence of shortage of game in a district when ruling on a guide's request to transfer to another district.

Section 3 directs the Guide Board to establish restricted (exclusive) guide areas in every game management unit if that would improve or maintain the quality of hunts and would be consistent with sound conservation policies.

Section 4 requires the Guide Board to transfer a guide area to the person recommended by the guide to whom the area is currently assigned, so long as that is not contrary to the public interest. Under existing law the board need not follow the guide's recommendation even if consistent with the public interest.

Section 5 adds four new provisions that: (1) require that the board approve only transfers of whole guide areas, rather than transferring portions of them; (2) allows guides who are jointly sharing portions of a guide area to remove those portions from joint use by presenting their written agreement to do so to the board; (3) prohibits the board from changing the boundaries of a guide area while a petition for transfer of the area is pending before the board; and, (4) requires the board, when assigning a guide area whose boundaries have been redefined by the board, to use the standard criteria, point system, and factors the

board uses in assigning other restricted guide areas.

Section 6 makes it unlawful for anyone but a registered or master guide to advertise or represent themselves as being a guide; restricts use of the title "outfitter" to guides to whom a restricted guide area is assigned. Sec. 6 also makes it unlawful to compensate or agree to compensate someone to guide without a guide license and hunting license. All three offenses would be class "A" misdemeanors. Sec. 6 also removes the requirement that a guide possess a resident hunting license; a nonresident license is sufficient.

Section 7 is identical to Sec. 3 of CSSB 191(2d Res). This section redefines the term "guiding" so that it would be unlawful for a person to be paid to be "in the field" with a hunter, or to provide an established camp to a hunter, unless the person is a licensed guide. The definition provides for three exceptions; a person is not guiding if the person is paid to be with a hunter in a boat with living quarters; at a permanent lodge or structure; or while transporting people to and from the field, as long as the passengers don't hunt along the way.

Section 8 is a duplicate of Sec. 4 of CSSB 191(2d Res). This section adds a definition of "compensation" for purposes of the definition of "guiding."

Section 9 amends AS 16.05.407, which requires nonresident hunters to be accompanied by a licensed guide while hunting certain big game animals. This section of the bill adds moose, black bear, and goat to the list. Sec. 9 also eliminates the exception for nonresidents who hunt with Alaskan relatives instead of a guide. Sec. 9 also requires nonresident walrus hunters to be accompanied by a licensed marine mammal guide or assistant.

Section 10 removes the Guide Board from the state conflict of interest law, AS 39.50.

Section 11 amends three regulations of the Guide Board, but the section references are incorrect. These should read "12 AAC 38.200(f)(1)(C), 12 AAC 38.260(e), and 12 AAC 38.-280(d)(1)." The sections were recently renumbered. The first regulation requires a guide who seeks to transfer to another restricted guide area to present any of five pieces of evidence that the guide will suffer substantial hardship if not allowed to transfer. In keeping with the provisions of Sec. 2 of the bill, this regulation is included for

Representative Bill Hudson
Page 3
January 15, 1988

annulment. The second regulation is inconsistent with the provisions of Sec. 4 of the bill and, therefore, is included for annulment. The third regulation would be superseded by the joint-use agreement provisions in Sec. 5 of the bill, at page 2, lines 14 - 17.

Section 12 provides for an effective date.

EHH:bb
WKB1/059

561-2878

Randall Burns Anch office

465-2535

6-3670

Shook

+6
A.G.
Ed Hein



TELL AD NOT TO
LET HB ON MOOSE
HUNTING GO DOWN.
REQUIRES ALL NON-
RESIDENTS TO HAVE
GUIDE.

P.O. Box 6469 Abilene, Texas 79608 (915) 695-0910

3/21 - 3/29
Amherst
Randall
Barns

+
teleconference

Not 10:30t



440
Keep in
mind

• All Senate Minutes on this Issue

- 1. Guides ^{in their} ~~taxes~~ would contract out - we could do this w/ a limit.... As many areas as guides...
- 2. Cap on Permit outfits w/ cap on how many could be permitted
- 3. Get some \$.....
- 4. History on why Transporters were taken out

FRIDAY - 18th we had Sam / Ned - agenda
Hearings 25th + 28th - Committee only Noted

Packet for Sam } Senate Min.
 } Bills
 } Letter of Intent

Get ~~minutes~~ Transcripts in order Ad will collect
for H. Reserves

→ System the fede. are using - get this in ~~figuring~~ writing

→ Kodiak has a good system

→ Sara Scannlin | Beth Stewart Game Board on
TWIS

→ F + G info. she hopes it's in the minutes w/ how
information is provided

* ~~Ed~~ Ed residency memo
Check Wyoming + other States
about residency res. guides...

Alaska

RECEIVED MAR 11 1988

Professional Hunters Association, Inc.

P.O. Box 91932 • 301 E. 77th • Anchorage, Alaska 99509
(907) 522-3221

Dear Governor Cowper,

I understand that you are aware of the bill that Don Young introduced (H.R.623) in 1987. It is a bill to amend the ANILCA to provide for monetary compensation to Professional Registered Guides in Alaska for loss of income resulting from the Alaska Lands Act.

Most of these guides that I know, had held some hope that the efforts of Senators Stevens and Murkowski, in 1982, to redesignate some of the land and remove it from Park status, or at least allow continued sport hunting would sometime become effective. Though a bill was introduced at the same time to compensate the guides, most would have much preferred to have their old hunting areas back in preference to compensation. Consequently only a few with clear vision such as Bud Helmerick, Lynn Castle, and a few of the officers of our Alaska Professional Hunters Association, put much effort into tracking the bill. It was easy to track because it did not go anywhere!

It has now become obvious that none of us will live long enough to see sport hunting return to any of these areas. In fact several of our fellow losers have gone to the "Big Hunting Ground in the Sky" and will never know the outcome. Their only consolation is that they arrived there before Jimmy Carter and should still be able to enjoy the greatest safari of all!

With knowledge that we will never get any of our areas back, we are now prepared to pursue a legislative and or judicial solution. As aggrieved guides facing the reality of our situation we have organized. Guides have historically been about as orderly as a pack of wolverines, but the recent cooperation has been overwhelming. I guess they are all getting old and tired of getting kicked around and like an old dog in the corner ready to fight back.

HB 623 has received no opposition. The greatest obstacle is the small number of us (69) that are affected by it. It is difficult to get a bill that serves so few, very much attention in Congress, especially in light of budget restraints. We hope to appeal to Congress' sense of morality as the legality of compensation is well spelled out.

We urge you as our governor to support us in this effort. With your legal background it would be presumptuous of me to quote the law, however I would like to reaffirm that several of the paramount purposes of the U.S. Constitution are the protection of property rights and personal liberties.

The initial powers of Congress were to be limited and it's authority tightly drawn in the constitution; state legislatures were to protest any usurpations there by further limiting it's authority. However, history reveals that the powers of Congress have become virtually unlimited. Congress routinely enacts statutes intruding into virtually all dimensions of public life.

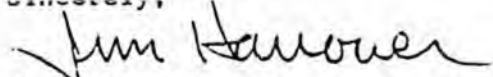
Page 2, cont.

In this situation however, Congress is not only obligated to the guides that were displaced, but to the State of Alaska as well. States have argued that the tenth amendment forbids the bargaining away of sovereignty over areas of traditional state domain, just as they cannot by contract or otherwise bargain away power to regulate private parties in the public interest.

It is our full intention to seek relief through Congress with the hope that a legislative solution can be achieved. In the meantime the Pacific Legal Foundation has agreed to research the law as it applies here and advise us on the merit of filing a suit based on loss and devaluation of personal property as well as loss of concessionary rights.

We are hopeful that with your support and a sympathetic Congress that a judicial solution will be un-necessary, and that this issue that has haunted us for ten years will be finally put to rest.

Sincerely,



Jim Harrower

cc. Senator Ted Stevens
Senator Frank Murkowski
Honorable Don Young
Bud Helmricks



United States Department of the Interior

NATIONAL PARK SERVICE

ALASKA REGIONAL OFFICE
2525 Gambell Street, Room 107
Anchorage, Alaska 99503-2892



IN REPLY REFER TO:

C38(ARO-OC)

29 JAN 1988

Honorable John B. "Jack" Coghill
Chairman, Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Coghill,

As the resource committee hearings on Senate Bill No. 191 will be convening in the near future, Senator Fanning asked us to offer comments for consideration. His request came as the result of a meeting with my concessions staff on January 8.

We are pleased to see the state recognize the problems which can arise by not having a clear definition of "guiding" for the purposes of hunting. We would, however, like to encourage a more restrictive definition than the one proposed. We recommend deleting the word "established" when referring to camps on page 3, line 7 of the bill. The use of the term "established" connotes permanent camps as opposed to temporary camps. The impacts of outfitting for hunting when a camp goes up with the client and down with the client, or when a camp goes up for just several weeks, are not necessarily less than those of an established camp. It has been our experience that the duration of the camp does not, in itself, distinguish between guiding and outfitting. It is the actions of the operator and the management of the camp that makes the distinction.

It has not been our policy to allow outfitting for hunting in the Alaskan national preserves. Unlike many government agencies, we do have the discretion to determine if a commercial activity is both "necessary and appropriate" relative to the purpose of the area. Our current stance will allow any private individual who has the knowledge and expertise to provide his own camp and hunt without a guide. Unguided persons may still rent equipment and charter an air taxi service to transport them to the field, but should be completely self-sufficient in the field. We feel those individuals who are not capable of taking care of all their needs in a wilderness setting are a risk to themselves and to others and probably should hire a registered guide to provide the needed services.

In addition to our concerns for visitor safety, we feel authorization of outfitting of hunting parties within a registered guide's area could have a significant negative impact on that guide's operation and the resources in the unit. Uncontrolled outfitting could lead to overharvesting of game within a guide area. The incentives to practice good game management are less for outfitters than for guides since it is the guides

who have a long-term stake in a guide area. When the game is depleted in an area, the outfitter simply moves on; the guide cannot.

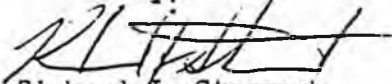
Another issue of concern addressed in the bill is on page 2, lines 16 and 17, whereby it is unlawful for "a person to compensate or agree to compensate another person for guiding..." without being validly licensed as a guide. It seems unrealistic to expect the consumer to be knowledgeable of AS 08.54.210 (a)(9). Keep in mind one of the reasons people hire registered guides is for their knowledge of the game laws. If consumers are duped into believing they have contracted with a legitimate guide, should the state hold the consumers liable?

One last item of concern centers around pilots knowingly dropping hunting parties off in areas closed to hunting. The addition of a statement such as the following would place accountability on air taxi pilots: "It is unlawful for a person to aid and abet a hunting violation by knowingly transporting persons for the purpose of hunting, into areas closed to hunting."

After discussing the various issues and possible resolutions, with our staff and several guides, it seems a simple and viable means to control the conflicts between outfitting and hunting would perhaps be the reinstatement of the transporter license. We found the transporter license to work well with our system of permitting commercial activities and would support its return.

Thank you for the opportunity to comment.

Sincerely,



Richard J. Stenmark
Regional Director

Acting

GUIDE/OUTFITTER MEETING OF JANUARY 7, 1988

IN ATTENDANCE:

Nick Peirskalla, President, Alaska Outfitters Association
Phil Driver, President, Alaska Professional Hunters Association
Brent Jones, Secretary-Treasurer, Alaska Professional Hunters Association
Jay Massey, Alaska Outfitters Association
Charlie Wilcox, Treasurer, Alaska Outfitters Association
Rocky Keen, Alaska Professional Hunters Association
Nelson Stimaker, Alaska Professional Hunters Association
Mel Gillis, Alaska Professional Hunters Association
Ed Grasser, Vice President, Alaska Professional Hunters Association
Wayne H. Walters, Alaska Outfitters Association Spokesman
Vice-President, Fairbanks Chapter AOA
Ken Fanning, Alaska Professional Hunters Association
Michael J. Triolo, Alaska Outfitters Association

On January 7, 1988, representatives of the Alaska Professional Hunters Association met with representatives of the Alaska Outfitters Association to explore areas of possible common ground relative to ensuring regulation of commercial utilization of our big game resources in Alaska. The meeting was held in the Senate Conference Room at the Anchorage legislative offices.

This particular meeting represented a landmark of progress in that it was the first time that the major recognized statewide organizations representing both sides agreed conceptually on several basic principles that should be included in statute.

Representatives at that meeting, and by this report, recognized that many individuals who are not members of these two organizations, and even some of their members, are not likely to be satisfied or pleased with any "compromises" or agreements, such as those discussed.

It was recognized that complete agreement is extremely remote, in that some of the desires of each group of commercial resource users are mutually exclusive.

Discussion did not concentrate on the "non-negotiable" differences; rather, it centered on areas of agreement or possible areas of agreement.

A brief discussion of the history, introduction and movement of SB 191 and HB 183 ensued, as well as a discussion of pre-filed bills and potential legislation which would place

some or all big game species on the guide-required list as a simplified alternative.

APHA noted that at its annual member meeting in December 1987 the members voted to support "guide-required" legislation as perhaps the best and simplest solution. APHA considers SB 191 in its "best" form, as compromise legislation.

The Alaska Outfitters Association noted that it was working on different versions of draft legislation, and that it had some various other states' legislation, and was requesting others. Additionally, various Canadian provinces had been contacted to review their respective situations. They may choose to introduce additional legislation.

Both organizations felt a desire to "control their own" regulatory structure through either separate or common boards with equal representation, whose functions among others would be to license and regulate all groups that are involved in providing services to big game hunters on a commercial basis. Leaders of both groups recognize unacceptable abuses of our fish and game resources as well as dismal business practices which reflect poorly on our state by certain segments of the hunting service industry. As in many instances, bad apples appear to be creating a black mark for all. Prevalent among the abusers seem to be non-resident "outfitters" and previously-registered guides who have lost their licenses through illegal practices, and are now "outfitting." Additionally, it is obvious that others, including quick buck artists, be they resident or non, are guiding illegally and/or outfitting illegitimately, or in a manner inconsistent with proper game conservation and good business practice.

ALL PARTIES PRESENT AGREED UPON THE FOLLOWING:

- 1.) Everyone involved in the commercial activity of assisting big game hunters - guides, transporters, gear providers, air taxis, etc - should be licensed and regulated as such. (Currently, "transporters," "providers," and "outfitters" are not so licensed).
- 2.) All groups should be held equally and legally liable and responsible for known game violations by their clients or employees. Additionally, those who provide transportation or food or equipment should be comparably held responsible for providing for reasonable safety and comfort and accurate and proper advertising and business practices. (Current law requires this of guides).
- 3.) All businesses providing services to hunters as discussed should have signed contracts, accurately describing the services offered. (Current law requires a "SFR" contract by guides).

Several methods of achieving the above goals in actual legislative amendment language were discussed. "Conceptual" amendments are being circulated among the parties to attempt to find common ground where possible.

The confusion with the term "outfitter" was discussed. All agreed that all guides are outfitters, in that they provide some or all of the following: Transportation, pre-hunt correspondence, tents, cabins, camping equipment, food, etc., in addition to personal services in the camps and in the field. Likewise, it was agreed that many transporters, gear providers or "outfitters" don't want to guide, per se, and don't want to provide personal field services.

Since all agreed that licensing requirements were essential, an amendment is being proposed that in essence would create a new licensed class of hunting services provider, and would clarify guide/outfitter as one class, and transporter or transporter/outfitter [NO agreement on the actual names] as another class. This concept would basically reinstate the transporter license which was dropped from the statutes three years ago.

Another amendment is being circulated that would change the makeup of the board (currently 4 public members, 3 guides) to an equal representation of guides and transporter/outfitters. This new board would be empowered to regulate the various "transporter", "provider", and "outfitter" services of all who provide hunter services. This proposal would allow the various providers to help formulate and draft regulations applicable to their particular "degree of service" under the jurisdiction of a board of their peers and the public without creating new and additional boards and the additional conflicting and overlapping responsibilities that would create.

Additional areas of possible solutions to the protection problem of proving that certain types of employees "in the field" are not engaged in guiding activities, such as special permits for occasional photographic accompaniment or special cases where a "white water" carsman is necessary on a float trip, were discussed, and will continue to be explored.

All present recognized the seriousness of the current problem, and desire some legislative solution. Discussion arose concerning the timeliness of solutions, in that the primary booking season of February, March and April is about to begin.

APHA representatives pointed out the importance not only of having legislative solutions in place by mid-summer 1988, but of taking action early to ensure clarification of state law prior to winter commitments to the best degree possible.

In summary, everyone recognizes that there are and will likely continue to be areas of disagreement. Likewise, there appears to be some common ground. Attempts will continue to be made to pinpoint those areas of agreement and work with the Legislature as they take action on pending and/or proposed legislation.

This report was drafted by Senator Ken Fanning, and has been circulated to the officers of both organizations for corrections, deletions, or additions. It is only intended to be a fair and accurate report of the meeting that took place on January 7.

ADDENDUM:

Upon circulation of this report to the various representatives of Alaska Professional Hunters Association and Alaska Outfitters Association, all agreed that it accurately reflected what took place at the meeting.