



# Representative Alan Austerman

## *Alaska State Legislature*

### Power Cost Equalization

Alaska Statutes 42.45.100-170

#### History:

PCE grew out of other energy assistance programs as far back as 1980 PCE was established in 1984 as part of a statewide energy plan to assist rural communities not on the road system that are dependent on diesel fuel which do not benefit from the large subsidized energy projects such as the Four Dam Pool, Bradley Lake and the Alaska Intertie.

- **Utilities using diesel to generate at least 75% of power in October 1984 were eligible**
- **Cost of power was to be equalized to the average of Anchorage, Fairbanks and Juneau – 8.5 cents per kWh**
- **Costs above 52.5 cents were not covered**
- **All users were eligible for the first 700 kWh used**
- **Community Facilities receive PCE on 100% of their usage**

#### Changes to the program since 1984

PCE Endowment Fund was created and capitalized in FY 2001 with funds from the CBR and the Four Dam Pool Project Sale Proceeds. Further capitalized in FY07 with General Funds, now totals around \$400 million, invested to earn 7% annually

- **The floor has been raised 51% to 12.83 cents**
- **The ceiling is unchanged since 1984 at 52.5 cents**
- **Eligible electricity has been reduced 30% to 500 kwh**
- **Only one meter per resident**
- **6,000 commercial customers are ineligible for PCE**
- **Fuel use the same, but costs up 150% between FY00 and FY07**
- **Non fuel costs are up 62%**
- **Current funding (\$28 million) is at 100% level**
- **More utilities crossing through the 52.5 cent ceiling**
- **Next year for the same program estimated cost \$48 million**

#### How does PCE work?

The Regulatory Commission of Alaska determines the PCE level for each utility based on fuel and non-fuel expenses such as salaries, insurance, taxes, interest and other reasonable costs. AEA administers the PCE fund based on appropriation by the legislature, monthly reports submitted by participating utilities and eligibility determination.

~ Representing Alaska State House District 36 ~

Akhiok | Igiugig | Iliamna | Karluk | Kodiak | Kokhanok | Larsen Bay | Levelock  
Newhalen | Nondalton | Old Harbor | Ouzinkie | Pedro Bay | Port Alsworth | Port Lions

**How is PCE level determined?**

A formula is used to determine PCE levels: 95% of a utility's costs between the floor (12.87cents per kWh) and the ceiling (52.5cents) If the eligible costs are more than 52.5cents/ kWh then PCE level is 37.65

$$52.5 - 12.87 = 39.63 \text{ cents / kWh} \times 95\% = 37.65 \text{ cents}$$

\*base may vary on annual basis per AS 42.45.110(c) (2)

**What does PCE cost to the state?**

FY 09 projection to be \$42 million (\$28mil. endowment plus \$14mil general fund if program remains unchanged)

**Doesn't Most of PCE go to "Overheads?"**

FY07 Program Statistics

Fuel Costs	\$75,261,627
Non-Fuel Costs	<u>\$67,411,410</u>
Total Electricity Cost	\$142,673,037
Total PCE Disbursed	\$25,437,093
Percent of Fuel Costs	34%
Percent of Total Costs	18%

**Does Wind Power affect PCE rates?**

According to AEA, rates are affected only if wind generation makes the rate go down. While there are no implicit incentives in PCE legislation for renewable energy there is the economic incentive to keep a downward pressure on costs and subsequent cost to consumer.

Wind power will not completely displace diesel but can reduce fuel consumption by as much as 30%. Last year Kotzebue reduced diesel consumption by 100,000 gallons for instance, saving the community an estimated \$450,000. Kotzebue now gets 10% of its energy from wind and hopes to reach 20% in the next several years.

## Does PCE reduce rural power cost to a level equal to urban levels?

	Residential cents/kWh	PCE Rate (cents/kWh)	Effective Residential Rate 2008 (cents/kWh)	400 kWh/Month	700 kWh/Month
<b>Wattage</b>					
<b>Hours per Month</b>					
<b>kWh per Month</b>					
Akiachak	0.5300	0.3460	0.1840	\$73.60	\$128.80
<b>District 38 Average</b>	0.5009	0.3057	0.1952	\$78.08	\$136.64
Juneau	AEL&P		0.1031	\$41.24	\$72.17
Anchorage	Chugach		0.1386	\$55.44	\$97.02
Anchorage	ML&P		0.0972	\$38.88	\$68.04
Fairbanks	GVEA		0.1908	\$76.32	\$133.56
Mat-Su	MEA		0.1341	\$53.64	\$93.87
All PCE comm. av.	0.4312	0.2545	0.1767	\$70.68	\$123.69
<b>Weighted Average ANC/FBX/JNU</b>			0.1283	\$51.32	\$89.81
<b>D-38 High:</b>					
<b>Newtok</b>	0.7200	0.3765	0.3435	\$137.40	\$240.45
Kotzebue	0.3605	0.1915	0.1690	\$67.60	\$118.30
Lime Village	1.1700	0.3765	0.7935	\$317.40	\$555.45
Ambler	0.8098	0.3765	0.4333	\$173.32	\$303.31
Ruby	0.6500	0.2233	0.4267	\$170.68	\$298.69

Note: Even with PCE, D-38 has an average of 52% higher electric rates than the A/F/J weighted average. (the average of all PCE communities, it's 38% higher)

### Factoids:

PCE only pays a portion of approximately 30% of all kWh's sold by the participating utilities.

### Average kWh Usage per household

PCE communities:	412
Anchorage:	725
National Average:	750

Currently 183 PCE eligible communities in Alaska

### Sources:

<http://www.iser.uaa.alaska.edu/Publications/akelectricpowerfinal.pdf>

<http://www.akenergyauthority.org/programspce.html>

<http://www.akenergyauthority.org/PDF%20files/PCE%20Program%20Guide%202007.pdf>

Meera Kohler, AVEC President and CEO PCE overview power point