



February 14, 2012

House Energy Committee

Re: AVEC Testimony on HB 294

Honorable Committee Members,

Alaska Village Electric Cooperative would like to express support for HB 294, which seeks to restore Power Cost Equalization benefits to levels that existed before 1999.

PCE was established in 1984 in an effort to bring the cost of electricity to rural Alaskans – both households and businesses – to a level more or less equal to that enjoyed by urban Alaskans. This benefit was extended to the first 700 kWh for all non-government consumers.

In an effort to reduce the cost of the program, it was trimmed back several times by the legislature – first to reduce the number of beneficiaries by eliminating all but the first meter owned by a consumer, later to reduce the number of eligible kWh and then to eliminate commercial customers, and finally to increase the floor from the original 8 cents per kWh. The floor is now around 14 cents.

The cumulative impact of these changes over the years has resulted in the number of eligible kWh (and their associated cost) being reduced by about half. HB 294 seeks to restore the eligible kWh from the current 500 to the original 700 kWh and to restore eligibility to commercial customers.

Although it may appear that a 700 kWh benefit is of negligible impact to commercial customers, this is not the case. This would be an extremely meaningful benefit for thousands of Alaskans who are operating very modest businesses in their communities – creating jobs and multiplying the spending power of local dollars.

AVEC communities account for about one third of the state's PCE benefits - \$11.3 million in CY2011. Analyzing our billing records for last year, we calculate that increasing the eligible kWh and adding back commercial consumers will result in an additional \$4.28 million in PCE to our communities. If the ~100 school facilities are also included, that would add another \$227,000, for a total increase of 40% to the program as it currently stands.

In FY10, the total cost of generating electricity in the PCE communities amounted to \$157.6 million. PCE provided \$30.6 million – less than 20%. Restoring part of the benefit that has been eliminated over the last two decades will result in the program cost increasing to about \$43 million, still only 27% of the cost of delivering electricity in rural Alaska.

Your support is strongly encouraged.

Sincerely,

A handwritten signature in black ink, appearing to read "Meera Kohler". The signature is fluid and cursive, written in black ink.

Meera Kohler  
President and CEO