



Representative Alan Austerman

Alaska State Legislature

Sponsor Statement for HB 150

Power Cost Equalization (PCE) is the program designed to (1) extend power assistance to rural Alaska as a response to the development of other power around the state and (2) make power more affordable to rural Alaskans. HB 150 proposes to make permanent the changes to the program adopted by the last legislature, which made higher cost power eligible for PCE. This helps Alaskan families continue to afford to buy the electricity that provides the basic services that we all take for granted.

Residents of Alaska whose electricity is generated by oil have seen their power costs increase significantly during the past few years. Last year for example, oil was purchased during the summer when delivery by barge was possible. At that time, they paid the highest price ever recorded. In consequence, though the price of a barrel of oil has plummeted, the cost in the villages continues to reflect the price at which it was purchased - currently over \$7.00 per gallon in many communities.

During the previous legislative session, this high cost of electricity was acknowledged by a change in the Power Cost Equalization statute. It recognized the high cost of fuel and the subsequent increase in Power Cost Equalization by increasing the upper limit, the ceiling, of the PCE calculation from 52.5 cents per kilowatt hour to \$1.00 per kilowatt hour. This change was for this heating season only, and sunsets on June 30, 2009.

The floor is a weighted average of the cost of power in Anchorage, Fairbanks and Juneau; currently a little over 12 cents per kilowatt. Power Cost Equalization is paid only on the first 500 kilowatts of power used each month. Any use above that does not qualify for PCE. The amount of PCE for each eligible family depends on a calculation which determines a floor and an amount per kilowatt which establishes the ceiling. As noted, the ceiling is now \$1.00 but will revert to 52.5 cents if this bill were not to pass. PCE payments are made on any cost for power falling within this band. For many utilities, the cost of producing power now exceeds 52.5 cents per kilowatt. Consequently, for many electric users, reverting to a PCE ceiling of 52.5 cents would mean considerably higher power bills.

Because power costs in many rural communities are approaching the \$1.00 per kilowatt range, it is crucial that PCE helps households by making power more affordable, particularly for basic services. To not pass this legislation would mean that many rural families would simply not be able to afford to buy the electricity needed for even the basic services that we take for granted.