



The Regulatory Commission and Power Cost Equalization

House Energy Committee

May 4, 2023

What is Power Cost Equalization (PCE)?

An effort to equalize power costs per kilowatt-hour (kWh) statewide to the average cost per kWh of Anchorage, Fairbanks, and Juneau (AS 42.45.100)

What is the RCA's Role?

RCA's Statutory Role

- Calculate the base rate for PCE
- Calculate PCE amounts for each eligible participating electric utility
- Determine utility eligibility

PCE Base Rate

What is it?

- PCE base rate is the weighted average residential rate per kWh for Anchorage, Fairbanks, and Juneau
- Adjusted every year, effective July 1
- Minimum rate is 12 cents per kWh

How is it calculated

- The RCA reviews the annual reports for the utilities that serve Anchorage, Fairbanks, and Juneau
- Total residential revenue as reported in the annual report is divided by total residential sales in the annual report for each utility to arrive at its average cost per kWh
- This average cost per kWh is then multiplied by the percent that utility's residential sales make up of the total residential sales for all four utilities the previous year to arrive at a weighted average cost per kWh
- We then add up the weighted average cost per kWh for all four utilities and arrive at the PCE base rate

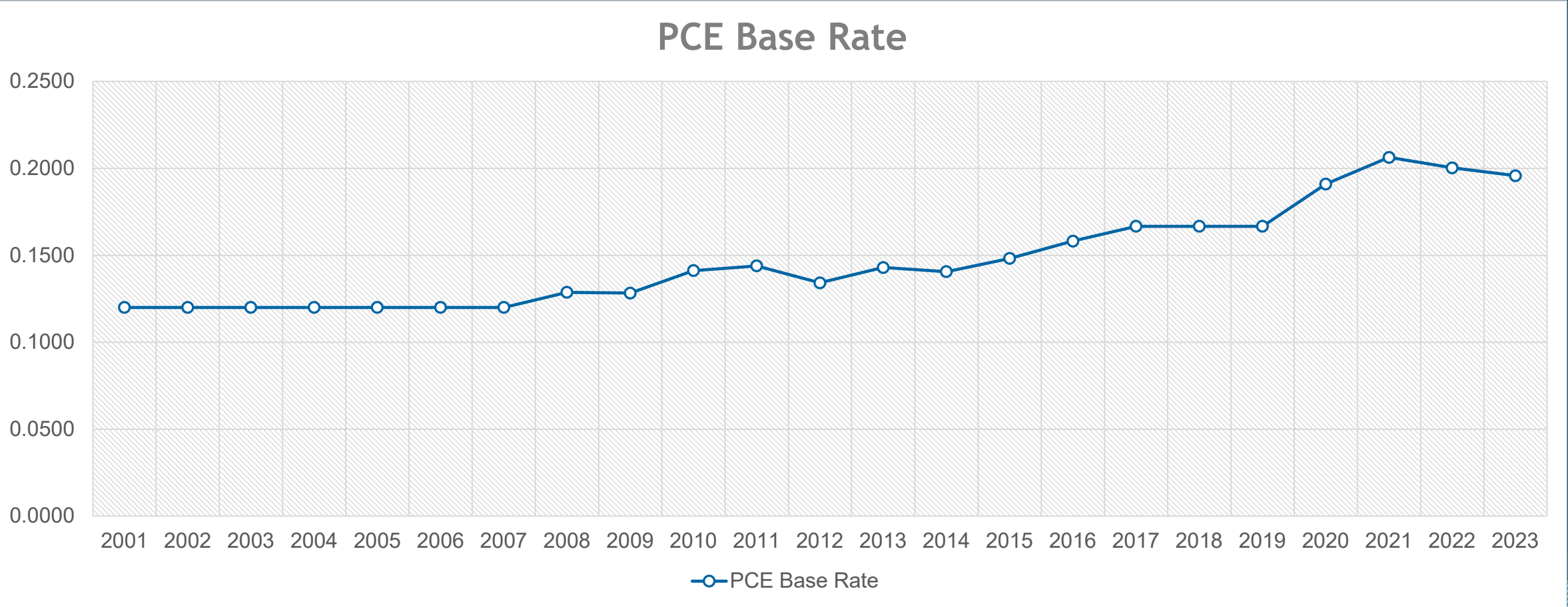
Data Reported by Utilities in 2022

	Total Residential Sales (kwh)	Total Residential Sales (\$)	(\$/kWh)	Percentage of sales in Anchorage, Fairbanks, & Juneau
AEL&P	160,027,000	\$19,059,165	\$0.1191	100.000%
Chugach	613,666,704	\$126,428,199	\$0.2060	98.230%
GVEA	290,712,000	\$78,157,827	\$0.2688	19.748%
MEA	458,646,000	\$98,188,808	\$0.2141	23.380%

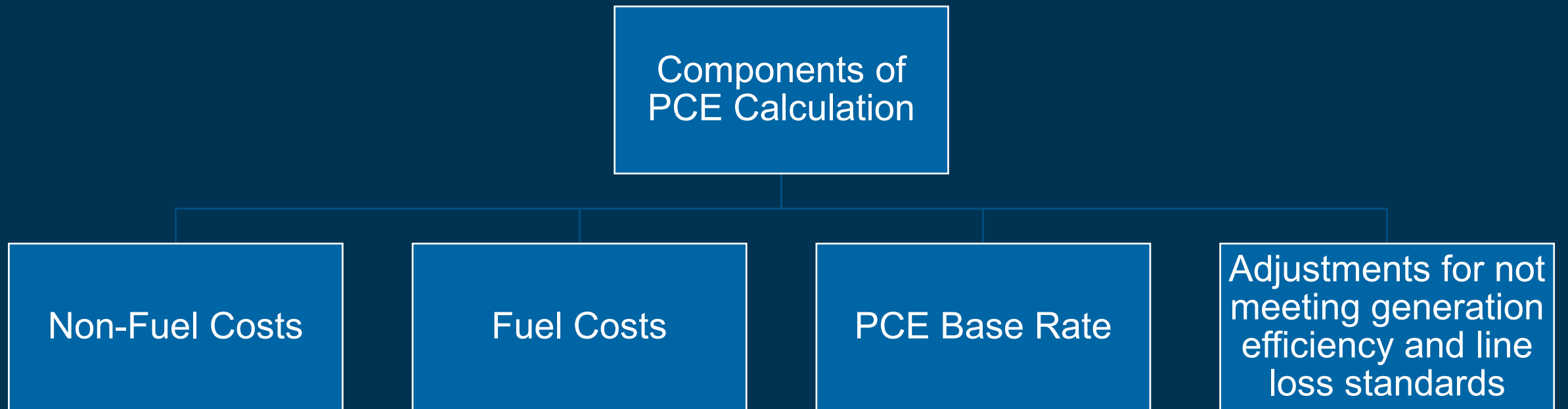
PCE Base Rate Calculation for FY2023

	Residential kWh Sold	Residential Revenues	Cost per kWh	% Total Residential kWh	Weighted Average
AEL&P	160,027,000	\$19,059,165	\$0.1191	17.254%	\$ 0.0205
Chugach	602,804,803	\$124,190,420	\$0.2060	64.994%	\$ 0.1339
GVEA	57,409,806	\$15,434,608	\$0.2688	6.190%	\$ 0.0166
MEA	107,231,435	\$22,956,543	\$0.2141	11.562%	\$ 0.0248
Total	927,473,044	\$181,604,736		100.000%	\$ 0.1958

Historical PCE Base Rate



Calculating PCE Amounts



Non-Fuel Costs

- Non-fuel costs include all allowable costs, except return on equity, used by the RCA to determine the revenue requirement for all regulated electric utilities. Non-regulated utilities are treated similar to regulated. Costs must be supported.
 - For non-regulated:
 - adjusted when annual report is reviewed
 - For regulated:
 - adjusted when permanent rates are set in a revenue requirement study or rate case (or a simplified rate filing)
 - The Regulatory Cost Charge is included in the non-fuel cost calculation for regulated electric utilities

Fuel Costs

- For non-regulated:
 - adjusted with fuel reports
- For regulated:
 - adjusted with cost of power adjustment (COPA) or fuel cost rate adjustment (FCRA)
- Cost must be supported

Adjustments for Generation Efficiency and Line Loss

- Generation Efficiency
 - Measured as kWh generated/gallons consumed.
 - Minimum standard is based on utility size and kilowatt hour generation amount. Range from 8.5 kWh/gallon to 13.5 kWh/gallon.
 - If the standard is not met a utility's fuel cost is calculated as if it met the standard. This is done by reducing the reported gallons consumed.
- Line Loss
 - Measured as $(\text{kWh generated} - (\text{kWh sold} + \text{Station Service}))/\text{kWh generated}$.
 - Minimum standard is 12%.
 - If the standard is not met, the reported kWh sold is increased to meet the standard of 12%.

Determining Eligibility

- An eligible utility is defined in AS 42.45.150(3).
- The RCA:
 - Certificates electric utilities and determines whether the utility will be regulated or not
 - Requires reporting as specified under AS 42.45 and 3 AAC 52.600-690
 - Recommends PCE disbursement be suspended for noncompliance with reporting requirements



Questions?

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