

ALASKA ENERGY AUTHORITY

POWER COST EQUALIZATION

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Executive Director

House Energy Committee
May 4, 2023



About AEA

AEA's mission is to reduce the cost of energy in Alaska. To achieve this mission, AEA strives to diversify Alaska's energy portfolio — increasing resiliency, reliability, and redundancy.



Railbelt Energy – AEA owns the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Sterling to Quartz Creek Transmission Line — all of which benefit Railbelt consumers by reducing the cost of power.



Renewable Energy and Energy Efficiency – AEA provides funding, technical assistance, and analysis on alternative energy technologies to benefit Alaskans. These include biomass, hydro, solar, wind, and others.



Power Cost Equalization (PCE) – PCE reduces the cost of electricity in rural Alaska for residential customers and community facilities, which helps ensure the sustainability of centralized power.



Grants and Loans – AEA provides loans to local utilities, local governments, and independent power producers for the construction or upgrade of power generation and other energy facilities.



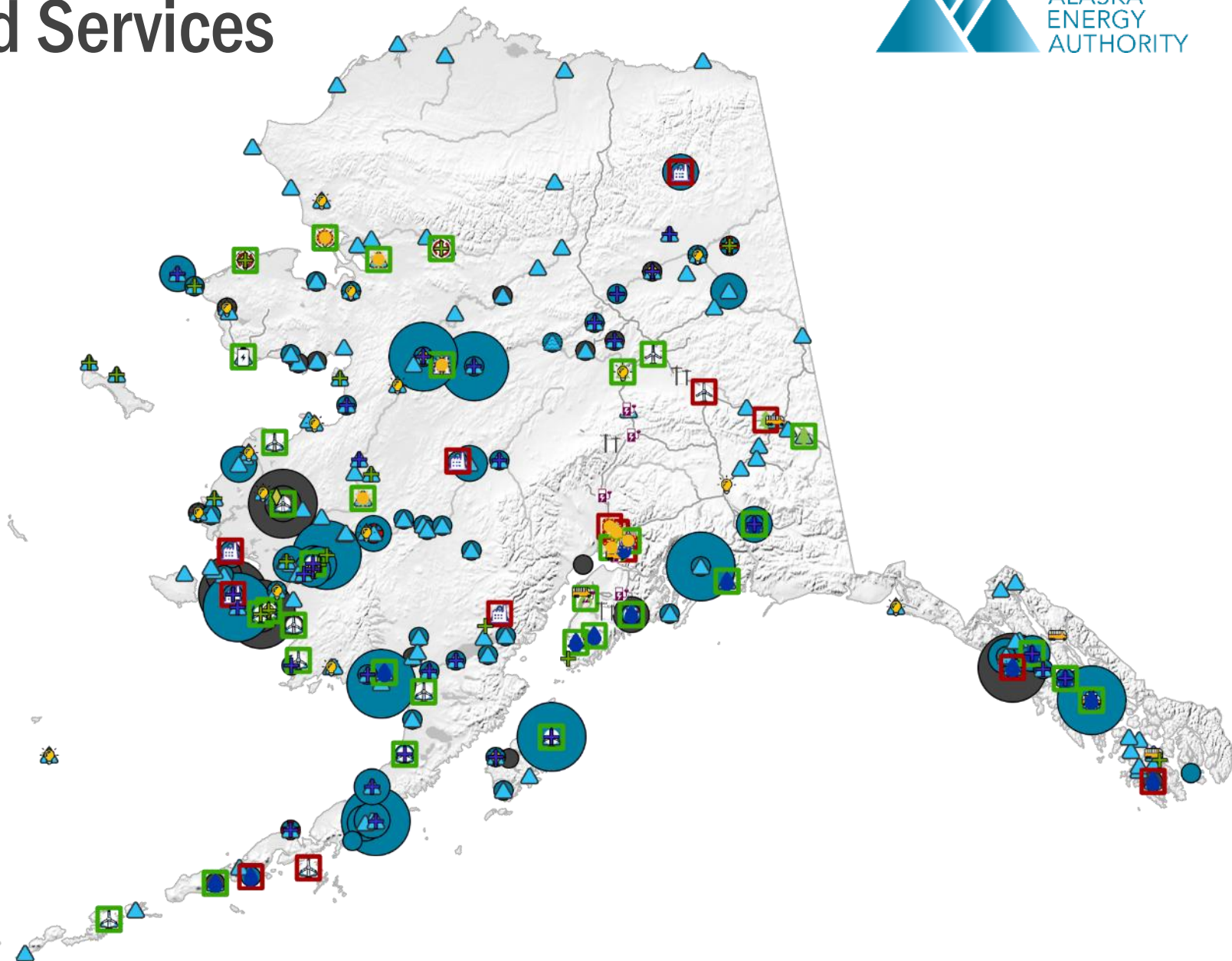
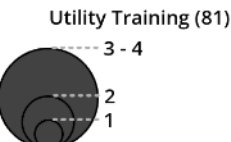
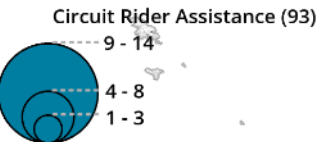
Rural Energy – AEA constructs bulk fuel tank farms, diesel powerhouses, and electrical distribution grids in rural villages. AEA supports the operation of these facilities through circuit rider and emergency response programs.



Energy Planning – In collaboration with local and regional partners, AEA provides economic and engineering analysis to plan the development of cost-effective energy infrastructure.

AEA Active Projects and Services

- ⊕ Rural Power System Upgrades (33)
- ⊕ Bulk Fuel Upgrades (25)
- 💡 Village Energy Efficiency Program (27)
- 🚌 Volkswagen Diesel Settlement Grants (7)
- 🔥 Biogas (1)
- 🌲 Biomass (4)
- 🏠 Diesel (6)
- 💎 Emerging Energy Technology Fund (1)
- 🚗 Electric Vehicles (9)
- 🔁 Heat Recovery (3)
- 💧 Hydroelectric (18)
- 🌊 Hydrokinetic (1)
- ☀️ Solar (8)
- 🔋 Storage (3)
- 🏗️ Transmission (3)
- 🌀 Wind (21)
- 📦 Power Project Fund (16)
- 📦 Renewable Energy Fund (44)
- 📍 PCE Communities (193)
- ⛑️ Emergency Assistance (3)



Power Cost Equalization (PCE)

The PCE Program was established in 1985 as one of the components of a statewide energy plan to help “equalize” the high cost of electricity in rural communities with the lower costs in more urban areas.

Who is Eligible to Participate in PCE?

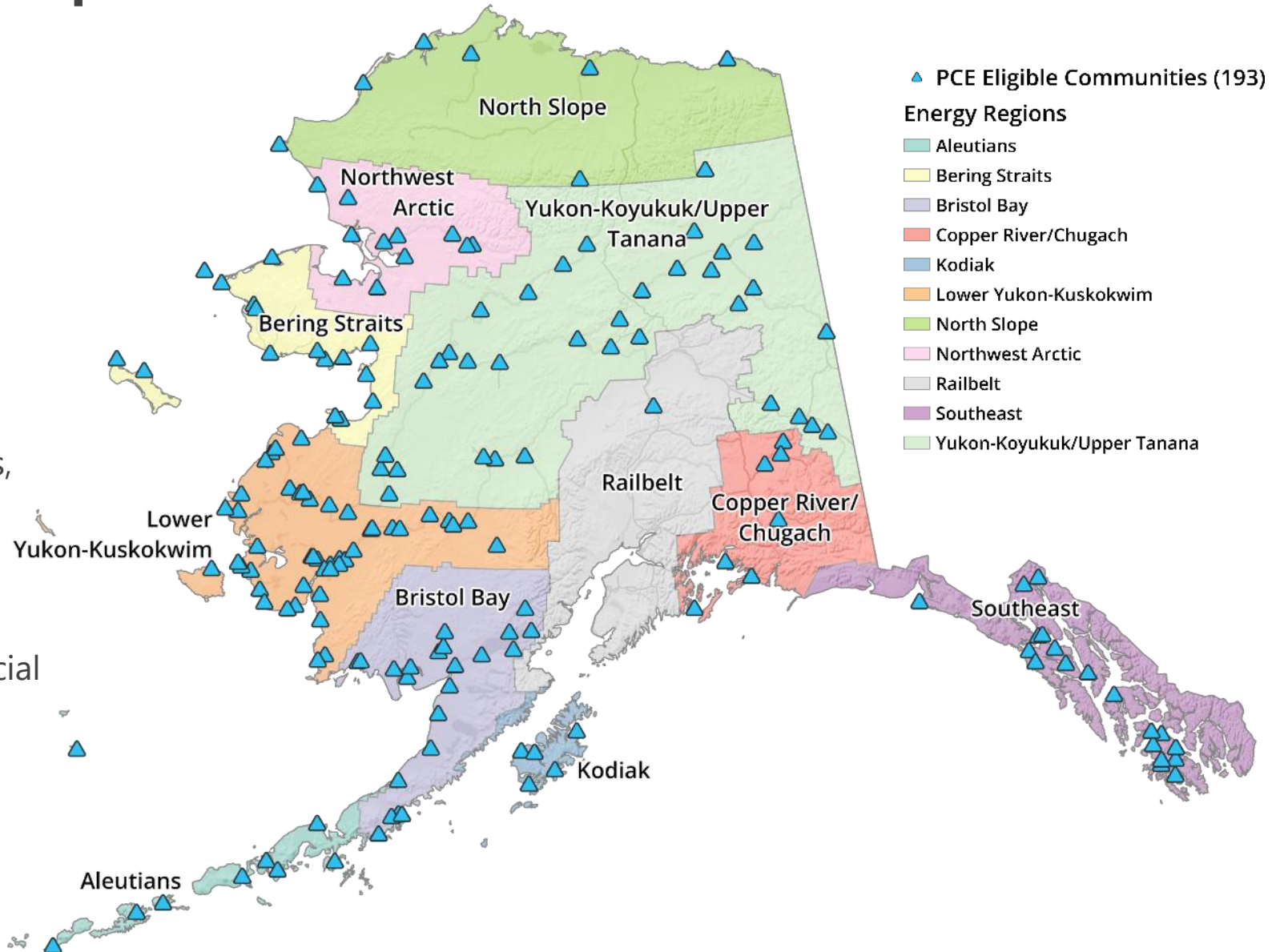
PCE eligibility is determined by the Regulatory Commission of Alaska in accordance with Alaska Statute 42.45.100-170.

Eligible customers include:

- Residential and community facilities (water, sewer, public lighting, and clinics, etc.)

Non-eligible customers include:

- State and federal facilities and commercial customers
- Any community with rates lower than the urban average (the PCE floor)



Power Cost Equalization (PCE)

AEA, along with the Regulatory Commission of Alaska, administers the PCE program, which serves remote communities that are largely reliant on diesel fuel for power generation.



193

RURAL COMMUNITIES



91

ELECTRIC UTILITIES



82,000

ALASKANS

The cost of electricity for Alaska's rural residents is notably higher than for urban residents. PCE lowers the cost of electric service paid by rural residents. Ultimately ensuring the viability of rural utilities and the availability of reliable, centralized power.



750 kWh

RESIDENTIAL

Residential customers are eligible for PCE credit up to 750 kWhs per month.

70 kWh

PUBLIC FACILITIES

Community facilities can receive PCE credit for up to 70 kWhs per month multiplied by the number of residents in a community.

\$27.4M

FUNDS DISTRIBUTED

In Fiscal Year 2022, AEA disbursed \$27.4 million for payment of PCE to rural electric utilities for the benefit of our rural communities.



PCE Endowment Fund Overview

- The PCE Endowment Fund was **created and capitalized in Fiscal Year 2001**, and is managed by the Department of Revenue
- PCE disbursements are funded from the PCE Endowment Fund — **current market value \$978.8 million on March 31, 2023**
- Alaska Statute 42.45.085 provides that **five percent of the PCE Endowment Fund three-year average market value may be appropriated** to the program
- [Senate Bill 98](#) is pending before the Legislature to move the PCE Endowment Fund **from** the Department of Revenue **to** the Alaska Permanent Fund Corporation

PCE Endowment History (In Thousands)

		<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
Beginning Investment Fund Balance	\$	1,023,566	1,073,378	1,072,825	1,078,157	1,149,165
Inflows:						
Annual investment earnings		76,602	74,142	48,303	150,299	(143,842)
Capital fund transfers in		—	—	—	—	
Total inflows		76,602	74,142	48,303	150,299	(143,842)
Outflows:						
Transfers to AEA for PCE payments		(25,595)	(29,719)	(27,000)	(28,237)	(23,613)
Transfers to Other Funds		—	(44,000)	(14,867)	(49,744)	(12,395)
Program administration – AEA		(624)	(444)	(575)	(737)	(737)
Administrative fee – Regulatory Commission		(113)	(102)	(108)	(123)	(133)
Management fee – Department of Revenue		(458)	(430)	(421)	(450)	(1,030)
Total outflows		(26,790)	(74,695)	(42,971)	(79,291)	(37,908)
Ending investment fund balance	\$	1,073,378	1,072,825	1,078,157	1,149,165	967,416

Source: Unaudited schedule included in AEA's financial statements. Fiscal Year 2022 amounts are not final.

PCE Endowment Earnings Calculation

Fiscal Year 2024 Appropriations (SLA2023)		
Calculation of Excess PCE Earnings Available for Appropriation		
Average monthly market value for the previous three closed fiscal years (AS 42.45.080(c))		\$1,098,002,766
Fiscal Year 2022 Earnings (AS 42.45.080(c)(2))		(\$143,841,594)
FY2022 5% of Average Monthly Market Value (AS 42.45.085(a))		\$54,900,138
Fiscal Year 2023 PCE Appropriations		
AEA — Rural Energy Assistance (AS 42.45.085(a)(3))	\$381,800	
AEA — PCE (AS 42.45.085(a)(1) and (a)(3))	\$48,049,800	
Revenue — Treasury (AS 42.45.085(a)(2))	\$1,153,600	
Less: Total Fiscal Year 2023 PCE Appropriations		\$49,585,200
Unobligated Fiscal Year 2022 Earnings		\$0
70% of Unobligated Fiscal Year 2022 Earnings per AS 42.45.085(d) (max \$55 million per AS 42.45.085(d)(2))		\$0
Fiscal Year 2024 Appropriations per AS 42.45.085 (d)(2)		
Community Assistance Program (AS 42.45.085(d)(2)(A))	\$0	
Renewable Energy Grant Fund (AS 42.45.085(d)(2)(B))	\$0	
Rural Power Systems Upgrades (AS 42.45.085(d)(2)(B))	\$0	
Less: Fiscal Year 2024 Appropriations		\$0
		\$0

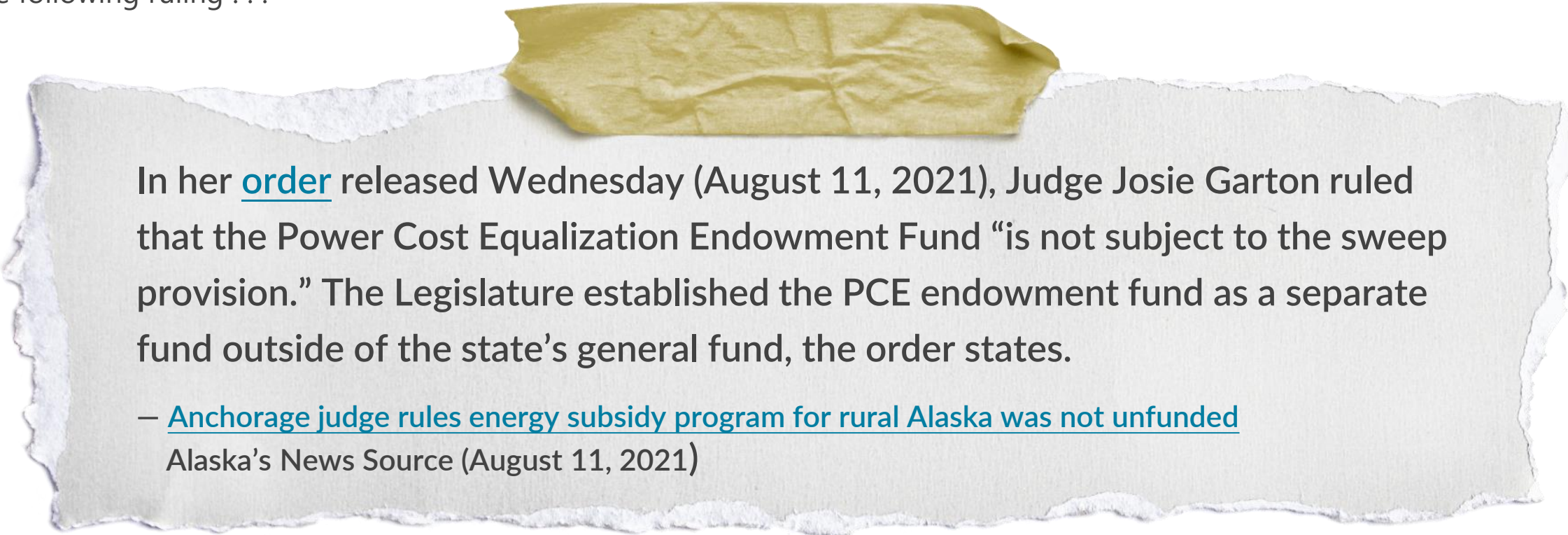
PCE Terminology



- **PCE Floor or Base Rate** – The weighted average cost per kWh in Anchorage, Fairbanks, and Juneau (20.03 cents)
- **PCE Ceiling** – The maximum cost per kWh that may be included when determining the power cost equalization per kWh (\$1.00)
- **PCE Effective Rate** – Rate charged by the utility minus PCE level (Varies by community)
- **PCE Level** – The state reimbursement per eligible kWh calculated for each community based on eligible fuel and non-fuel costs (Varies by community)

Ruling on PCE – Not Subject to Sweep Provision

On June 28, 2021, the Alaska House of Representatives voted to approve the July 1, 2021, effective date for the Fiscal Year 2022 Budget. This action did not address the reverse sweep, which failed in the House and Senate. In order to continue funding the PCE program beyond July 1, 2021, a reverse sweep was required. A friendly lawsuit was filed over the issue on July 19, 2021, challenging the idea that the PCE Endowment Fund should be swept as part of the budget, which resulted in the following ruling . . .



In her [order](#) released Wednesday (August 11, 2021), Judge Josie Garton ruled that the Power Cost Equalization Endowment Fund “is not subject to the sweep provision.” The Legislature established the PCE endowment fund as a separate fund outside of the state’s general fund, the order states.

- [Anchorage judge rules energy subsidy program for rural Alaska was not unfunded](#)
Alaska’s News Source (August 11, 2021)

AEA provides
energy solutions
to meet the
unique needs of
Alaska's rural
and urban
communities.

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APPENDIX

PCE Endowment Fund (Alaska Statute 42.45.085)

Sec. 42.45.085. Use of the power cost equalization endowment fund.

(a) Five percent of the amount determined by the commissioner of revenue on July 1 of each year under AS 42.45.080(c)(1) may be appropriated for the following purposes:

- (1) funding the power cost equalization and rural electric capitalization fund (AS 42.45.100);
- (2) reimbursement to the Department of Revenue for the costs of establishing and managing the fund; and
- (3) reimbursement of other costs of administration of the fund.

(b) Nothing in this section creates a dedicated fund.

(c) If the amount appropriated under (a) of this section is insufficient to achieve the purposes of (a)(1) - (3) of this section, the amount shall be prorated among the purposes listed in (a)(1) and (2) of this section.

(d) If the earnings of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2), exceed the appropriation under (a) of this section for the current fiscal year, the legislature may appropriate 70 percent of the difference between the earnings of the fund for the previous closed fiscal year, as calculated under AS 42.45.080(c)(2), and the appropriation made under (a) of this section for the current fiscal year as follows:

- (1) if the amount calculated under this subsection is less than \$30,000,000, that amount to a community revenue sharing or community assistance fund; or
- (2) if the amount calculated under this subsection is \$30,000,000 or more,
 - (A) \$30,000,000 to a community revenue sharing or community assistance fund; and
 - (B) the remaining amount, not to exceed \$25,000,000, to the renewable energy grant fund established under AS 42.45.045, to the bulk fuel revolving loan fund established under AS 42.45.250, or for rural power system upgrades or to a combination of the funds or purposes listed in this subparagraph.

APPENDIX A
FY2022 Power Cost Equalization Base Rate Calculation

TOTAL RESIDENTIAL SALES

	Total Residential Sales Kilowatt-hour (kWh)	(\$)	(\$/kWh)
AEL&P	157,074,000	19,662,708	\$0.1252
Chugach	524,523,329	111,202,126	\$0.2120
GVEA	295,060,000	74,152,941	\$0.2513
MEA	452,110,000	97,469,363	\$0.2156
ML&P	108,034,718	23,036,651	\$0.2132

Sources: Utilities' 2020 Annual Reports to Commission - FERC Form No. 1

	(kWh)	(\$)	(\$/kWh)	kWh	Average
AEL&P	157,074,000	19,662,708	\$0.1252	16.806%	\$ 0.0210
Chugach	510,203,842	108,166,308	\$0.2120	54.589%	\$ 0.1157
GVEA	58,501,546	14,702,304	\$0.2513	6.259%	\$ 0.0157
MEA	100,820,530	21,735,668	\$0.2156	10.787%	\$ 0.0233
ML&P	108,034,718	23,036,651	\$0.2132	11.559%	\$ 0.0246
Total	934,634,636	187,303,639		100.000%	\$ 0.2003 \$/kWh

Percentage of Residential Sales Within Anchorage, Fairbanks, or Juneau

UTILITY	%	CITY
AEL&P*	100.000%	Juneau
Chugach**	97.270%	Anchorage
GVEA***	19.827%	Fairbanks
MEA****	22.300%	Anchorage
ML&P*	100.000%	Anchorage

*AEL&P and ML&P are certificated to provide service only within the City of Juneau and Municipality of Anchorage, respectively.

**Chugach kWh sales are allocated based on Chugach estimate of services within the Municipality of Anchorage (97.270%).

***GVEA kWh sales are allocated based on GVEA estimate of services within Fairbanks city limits (19.827%).

****MEA kWh sales are allocated to Municipality of Anchorage based on gross revenues tax report (22.450%).

AEL&P is Alaska Electric Light and Power Company.

Chugach is Chugach Electric Association, Inc.

GVEA is Golden Valley Electric Association, Inc.

MEA is Matanuska Electric Association, Inc.

ML&P is Municipal Light & Power Department, Municipality of Anchorage d/b/a.