



Power Cost Equalization: AEA Perspective

Alaska Rural Energy Conference

September 25, 2014



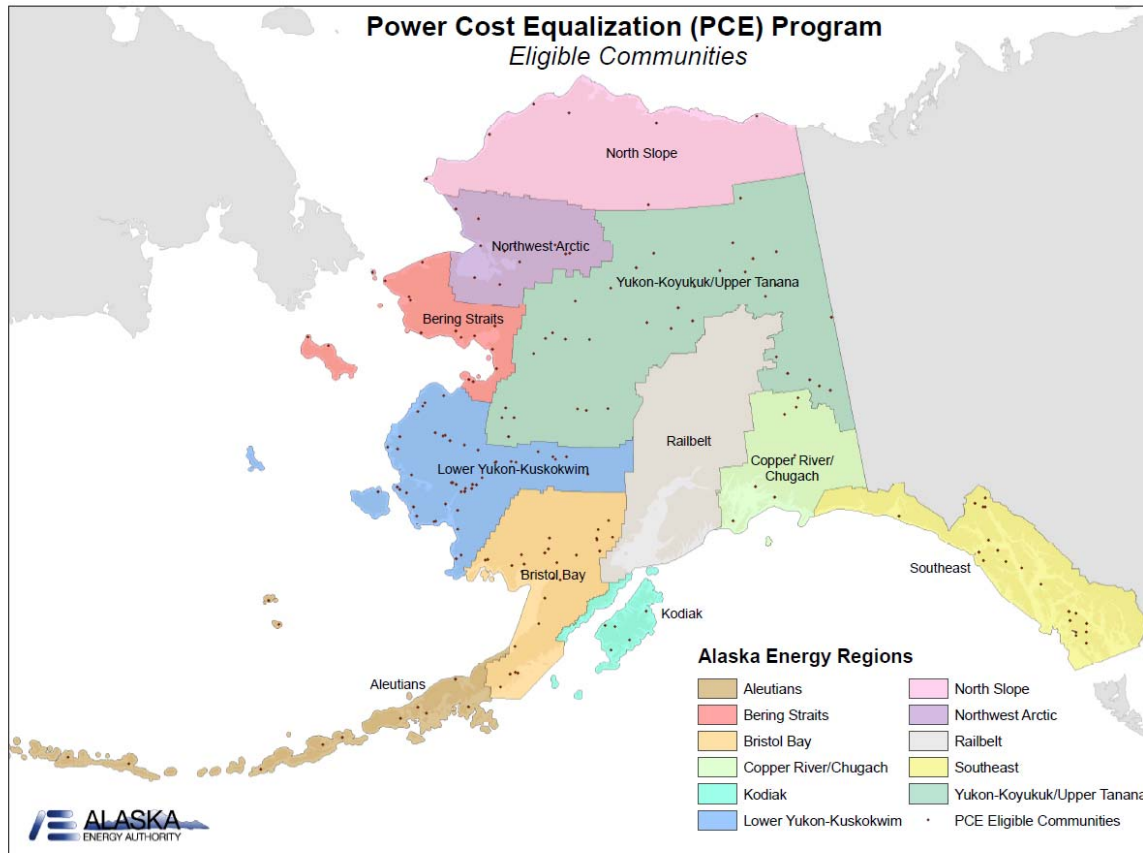
Power Cost Equalization

- State of Alaska program to provide support to areas of the state with very high energy costs
- Established in 1984
- Purpose is to bring rates down to around the same level as in urban Alaska
- Generally pays for 95% of utility costs above the average of rates in Anchorage, Fairbanks, and Juneau

Power Cost Equalization

- Rural Alaska electrical rates are often 3 to 5 times higher than in urban Alaska
- Assistance needed in rural Alaska to maintain and operate basic infrastructure and systems
- PCE created at a time when State funds were used to construct major energy projects to serve urban areas (Four Dam Pool)
- PCE is a way for rural communities to also benefit from those projects

PCE: Participating Communities



- Approximately 81,000 Alaskans live in the 190 participating communities (FY13)

Alaska Energy Authority

Mission: Reduce the Cost of Energy in Alaska

- Accomplished by:
 - Energy Planning and Policy
 - Investing in Energy Infrastructure
 - Diversifying Alaska's Energy Portfolio
 - Technical Training and Assistance
 - Power Cost Equalization

New AEA Structure

- Realigning to streamline process and coordinate project development and implementation
- Creation of new Policy and Outreach Group, which includes PCE
- Previously PCE was part of Finance, but there's much more to it than accounting

PCE: Administration

AEA's role:

- Authorizes payment to electric utilities
- Determines eligibility for residential and community facility customers
- Provides training and technical assistance to utilities

RCA's role:

- Determines eligibility of utilities
- Determines PCE levels: calculations based on use, costs and efficiencies
- Ensures compliance with statutes and regulations

PCE: Funding

PCE Endowment Fund

- AEA fund, managed by the Department of Revenue
- Created and capitalized in FY01 with funds from the Constitutional Budget Reserve and Four Dam Pool sale proceeds
- Further capitalized with General Funds in FY07 (\$182.7 million) and FY12 (\$400 million)
- 7% of the endowment fund's 3-year monthly average market value may be appropriated to the PCE program (AS 42.45.085)
- Invested to earn 7% over time
- \$974 million in PCE Endowment Fund (as of 8/31/14)
- Anticipated to be only funding source in FY15 and beyond

PCE: Reducing Power Bills

- Residential: credit on first 500 kWh consumed each month (per customer)
- Community facilities: credit on 70 kWh x the community population (for the entire community) per month
- Customer's bill = total cost - PCE credit
- Utilities are required to notify the customer of the PCE credit and the total cost of service with every bill
- Utilities are reimbursed on the customer credit

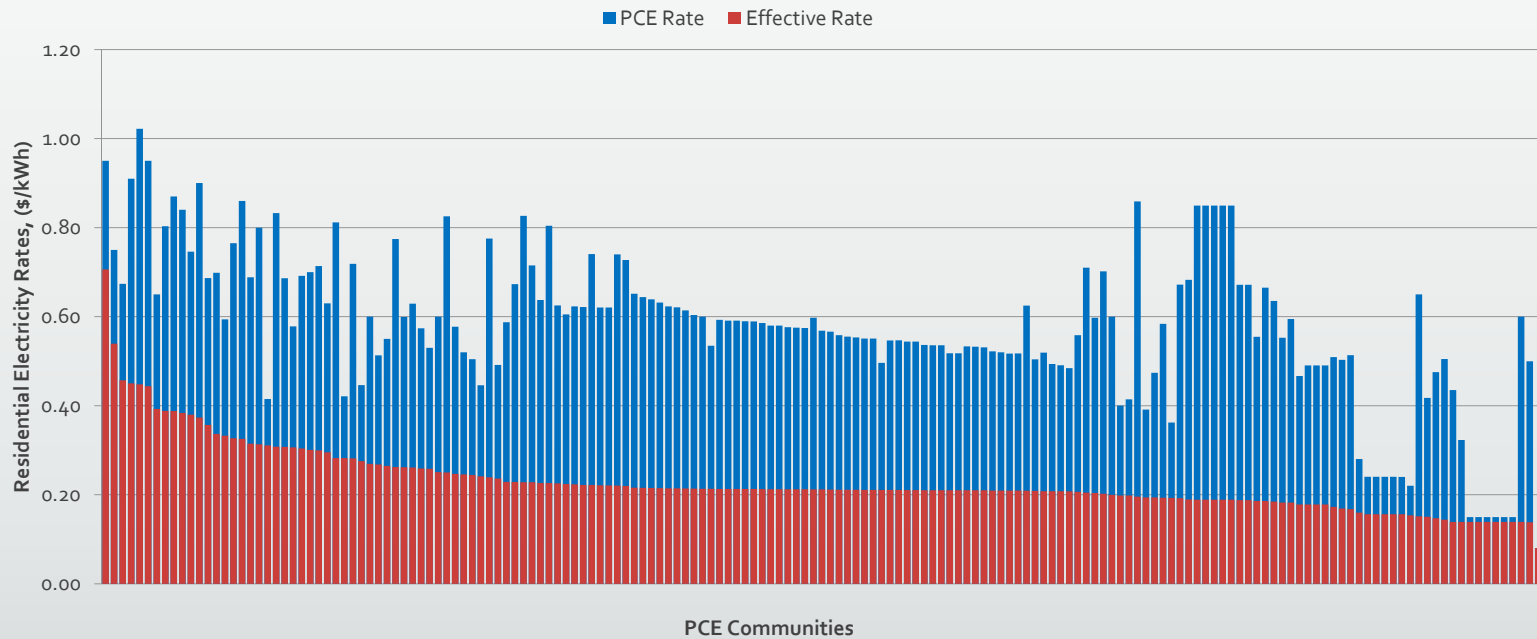
Population numbers updated by Department of Commerce, Community and Economic Development on July 1, annually

PCE: Reducing Power Bills

CURRENT BILLING DETAIL			\$ AMOUNT
Electric Basic Charge			10.00
Energy Charge	472	kWh @ 0.612500/kWh	289.10
Fuel Surcharge	472	kWh @ 0.025200/kWh	11.89
Regulatory Cost	472	kWh @ 0.000578/kWh	0.27
3% Sales Tax			9.33
SUB-TOTAL BEFORE PCE DISCOUNT			320.59
Less Residential PCE			205.56 CR
SUB-TOTAL AFTER PCE ADJUSTMENT			115.03
Total CURRENT CHARGES DUE BY 10/11/2013			115.03
Total Amount Due			\$115.03

PCE: Effect on Rates

Residential Electricity Rates in Power Cost Equalization Communities, 2011




Source: Alaska Energy Statistics 1960-2011 Final Report



Payments to Utilities

- Utilities submit monthly reports showing how many kWh hours they sold and to whom
- AEA *reimburses* each utility for the PCE credit it has given to eligible customers
- Data from these reports is entered into a database and used to create the annual PCE statistical report

Statistical Report by Community

Hoonah PCE			
Utility: INSIDE PASSAGE ELECTRIC			
Reporting Period: 07/01/12..06/30/13			
Community Population	753		
Last Reported Month	June		
No. of Monthly Payments Made	12		
Residential Customers	371		
Community Facility Customers	28		
Other Customers (Non-PCE)	73		
Fiscal Year PCE Payments	\$858,064		
PCE Statistical Data			
PCE Eligible kWh - Residential Customers	1,449,839	Average Annual PCE Payment per Eligible Customer	\$2,151
PCE Eligible kWh - Community Facility Customers	557,663	Average PCE Payment per Eligible kWh	\$0.43
Total PCE Eligible kWh	2,007,502	Last Reported Residential Rate Charged (based on 500 kWh)	\$0.68
Average Monthly PCE Eligible kWh per Residential Customer	326	Last Reported PCE Level (per kWh)	\$0.46
Average Monthly PCE Eligible kWh per Community Facility Customer	1,660	Effective Residential Rate (per kWh)	\$0.23
Average Monthly PCE Eligible Community Facility kWh per person	62	PCE Eligible kWh vs Total kWh Sold	47.0%
Additional Statistical Data Reported by Community*			
Generated and Purchased kWh		Generation Costs	
Diesel kWh Generated	4,659,732	Fuel Used (Gallons)	315,632
Non-Diesel kWh Generated	0	Fuel Cost	\$1,322,017
Purchased kWh	0	Average Price of Fuel	\$4.19
Total Purchased & Generated	4,659,732	Fuel Cost per kWh sold	\$0.31
		Annual Non-Fuel Expenses	\$919,579
		Non-Fuel Expense per kWh sold	\$0.22
		Total Expense per kWh sold	\$0.52
Consumed and Sold kWh		Efficiency and Line Loss	
Residential kWh Sold	1,768,395	Consumed vs Generated (kWh Sold vs Generated-Purchased)	91.7%
Community Facility kWh Sold	589,634	Line Loss (%)	6.6%
Other kWh Sold (Non-PCE)	1,916,503	Fuel Efficiency (kWh per gallon of diesel)	14.76
Total kWh Sold	4,274,532	PH Consumption as % of generation	1.7%
Powerhouse (PH) Consumption kWh	72,733		
Total kWh Sold & PH Consumption	4,352,265		
Comments			
*The data contained in this report is primarily based on information submitted by the utility with their monthly PCE reports. Changes to the reported data and/or significant anomalies have been noted in the comments.			

- New format: Community “snapshot” of key information
- Introduced for FY12 report
- Latest available is FY13

Customer Eligibility

- AEA reviews applications from prospective community facility customers for PCE eligibility
- Residential customers are generally eligible as long as the location receiving PCE is their primary residence

Community Facilities

- Community facility customers are evaluated based on criteria set by the Legislature
- Definition in statute: “a water and sewer facility, public outdoor lighting, charitable educational facility, or community building whose operations are not paid for by the state, the federal government, or private commercial interests”
- New regulations clarify the part about operations being paid for by state or federal funds

Training

- AEA provides PCE training to utility clerks on a periodic basis
- Trainings are usually in Anchorage, but sometimes in regional hubs
- Contact PCE program for current training schedule

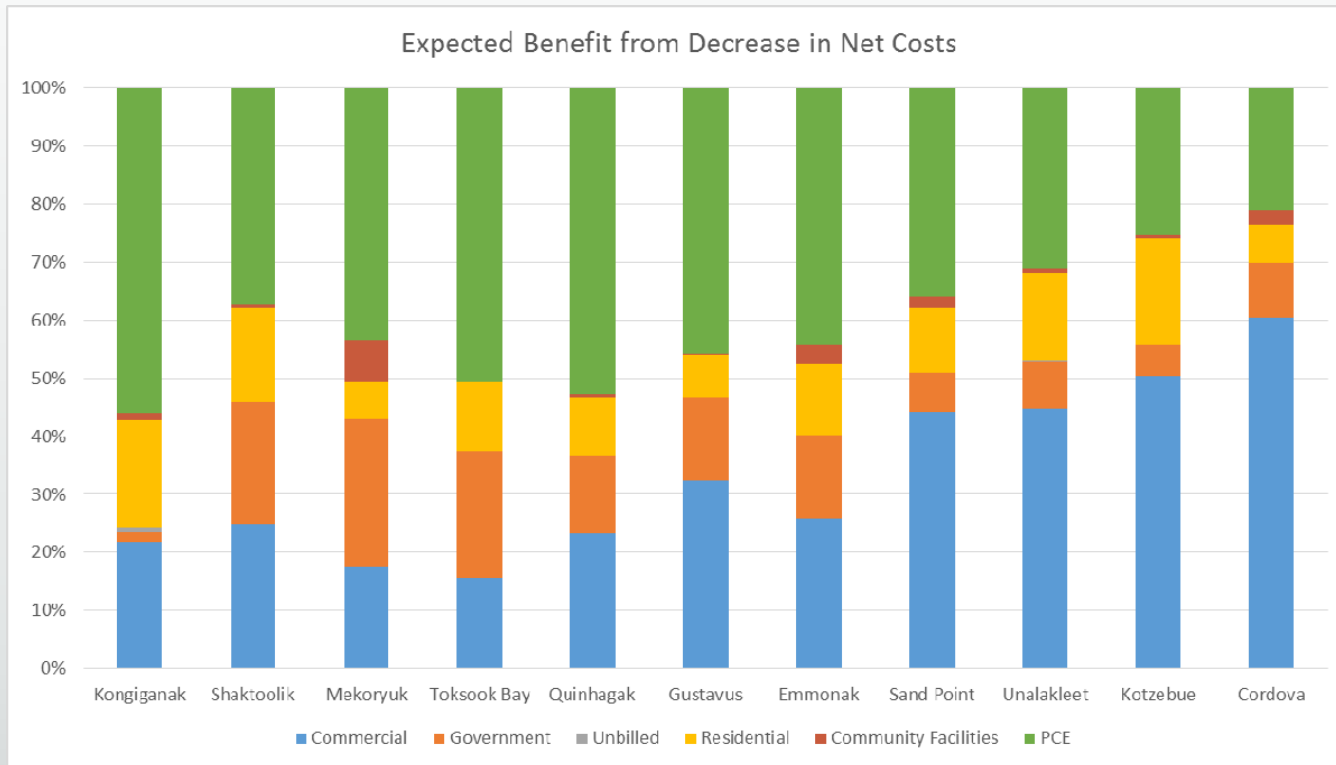
Community Assistance

- AEA provides assistance to rural communities in accessing AEA programs, including PCE
- Assist inactive utilities in becoming active in the PCE program
- Answering questions about PCE and other programs
- Coordinated with PCE program and other agencies (DCRA, DOE, etc.)

PCE and Renewables

- PCE works by insulating residential customers from changes in utility costs
- Therefore, a change in costs (such as from a renewable project) should not have a large effect on residential effective rates
- Commercial customers, who don't get PCE, will see the full effect of changing costs in their rates
- Effect will vary depending on makeup of customer base

Effect of Changing Costs



Upcoming Regulation Changes

- AEA has opened a file with Department of Law to begin a second round of PCE regulation changes in order to provide greater clarity and consistency in implementing the program. Anticipated topics include:
 - Further clarification of community facility requirements
 - Periodic eligibility recertification
 - Proration of community facility credits
 - Definitions for “community building” and “charitable education facility”
 - Timely payment requirement reference
 - Voluntary Assignment of PCE benefits

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