

A group of approximately ten people, including several young men and one woman, are posed in front of a white utility building. The building has several signs: 'FUEL OIL DAY TANK ALARM', 'FIRE ALARM', 'DANGER FIRE PROHIBITION', 'DANGER HIGH VOLTAGE', 'AUTHORIZED PERSONNEL ONLY', and 'CAUTION'. A sign on the right reads 'THIS PROJECT WAS FUNDED BY THE DENALI COMMISSION'. One person is holding an orange folder. A woman in a red hoodie is sitting on the ground in the foreground, smiling. The background shows a clear sky and some greenery.

Maximizing PCE and Community Benefits for Small Locally Owned Utilities

**Connie Fredenberg, Utility Management Assistance
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A locally owned and operated electric utility can be the training grounds for economic development in the community.

Hire student interns and use utility administration, operations, and maintenance as a teaching tool at the school:

Math

Science

Business

Vocational Training

*Students aged 14+ can work in the office.
Ages 16+ can work in the power plant. If
paid minimum wage, they will be covered
under the utility's Workman's Comp
insurance.*



Cross-train multiple people to do the jobs required to have a successful utility and work staff on a rotational basis so no one forgets. Training costs are allowable PCE expenses.

Pay a living wage – it will keep good employees and the added expense is an allowable PCE expense.

Pay Attention Every Month to Line Loss and Fuel Efficiency!

1. The RCA will dock your PCE Rate for exceeding line loss or fuel efficiency standards.

Maximum Acceptable Line Loss is 12%

Line Loss is the electricity “missing” after you subtract the Station Service and kWh Sold from the kWh generated expressed as a percentage of kWh Generated.

kWh Generated – (Station Service + kWh Sold) divided by kWh Generated

Fuel Efficiency is the number of kWhs generated per gallon of fuel used.

kWhs Generated divided by the Gallons of Fuel Used.

Annual kWh Generated (>80% Diesel)

<100,000 kWh	9.5 kWh/Gallon
100,000 – 499,000 kWh	10.5 kWh/Gallon
500,000 - 999,999 kWh	11.5 kWh/Gallon
1,000,000 - 9,999,999 kWh	12.5 kWh/Gallon
> 10,000,000 kWh	13.5 kWh/Gallon

Annual kWh Generated (<80% Diesel)

<100,000 kWh	8.5 kWh/Gallon
100,000 – 499,000 kWh	10 kWh/Gallon
500,000 - 999,999 kWh	11 kWh/Gallon
1,000,000 - 9,999,999 kWh	12 kWh/Gallon
> 10,000,000 kWh	13 kWh/Gallon

2. Exceeding the limits is a sign there is something wrong:
 - Your math
 - Distribution System – transformers/electric lines
 - Metering – at the plant or a customer (multiplier not applied?)
 - Plant Maintenance/Operations

Maximize PCE for Maximum Benefit to the Community

- **Make sure fuel is marked up properly** – send documentation to the RCA with first fuel report of the year. Use previous year's costs for documentation.
- **Make sure ALL Community Facilities are eligible for PCE and ALL pay their bills:**
 - Clinic, Tribal Office, City Office, W/WW Plant, Washeteria, Tank Farm, SRE Building (if village owns airport), Fire Department/Code Red, Utility Storage, City/Tribe Garage or Warm Storage, Streetlights
- **If any City or Tribal staff do any work for the utility – bill and collect from the utility for their time.** It can be on an annual % basis, rather than hourly, to make the transaction and accounting easier.
- **Make a two tiered rate structure for PCE customers.** Make the subsidized rate as high as PCE can cover **then** lower the rate for any usage over 500 kWhs for Residential customers.
- If the utility must be subsidized, do it by **purchasing fuel with General Funds or Revenue Sharing or Fish Tax.** Count that as “Other Income” on your Annual Report Income Statement. **THIS ONLY WORKS IF SAME ENTITY OWNS FUEL FARM AND UTILITY.**
- If a loan is necessary to repair or replacement equipment, make it through the utility – or it won't count as an allowable expense to increase PCE. If, due to financial circumstances, the utility is not eligible for the loan – the city/tribe should **bill the utility for payments and interest.** Depreciate the equipment/installation/or major repair and count the interest on the Annual Report to the RCA.

The Power Cost Equalization Program isn't perfect, but we still love it.

The PCE Program was established in FY1985 to equalize the State's financial assistance to urban energy projects such as the Four Dam Pool, Bradley Lake, and the Alaska Intertie. **NO OTHER STATES IN AMERICA HAVE PCE PROGRAMS.**

PCE is meant to ensure the viability of local utilities and the availability of central station power. It allows utilities to charge rates adequate to cover the cost of providing service. Maximizing it to improve operations, maintenance, and administrative capabilities is in the best interest of the utility, utility customers, and the state's investment in infrastructure.

The Heat Conundrum

If a utility sells heat from recovered diesel jacket water or heat made with excess hydro or wind kWhs, the kWhs sold and any resulting income must be included on the annual report to the RCA. The RCA will subtract this income from the utility's non-fuel expenses, concluding that the heat "is not necessary for the generation and sale of electricity". This will decrease the utility's PCE subsidy rate.

- To waste heat in Alaska is immoral. In fact, the PCE statute requires utilities to implement energy conservation measures, including utilization of waste heat! If wind/hydro generation is producing more energy than the community load, using that excess energy for heat should be encouraged, not discouraged through penalizing the community through a reduced PCE rate. Revenue from the sale of excess energy should not be treated as a "negative expense" for utilities that are not economically regulated by the RCA.

Repair and Replacement Accounts

- Since depreciating grant funded equipment is not allowed, saving money for R&R should be an allowable expense for PCE.

Office of Indian Energy Technical Assistance

<http://energy.gov/indianenergy/office-indian-energy-policy-and-programs>

Utilities in Tribal Communities can get up to 40 hours of technical assistance for administrative training, reporting assistance, and rate-setting.

If your question only requires brief assistance, contact Connie: M-F from 10 a.m. to 4 p.m. at (907) 707-7234

Utility Management Assistance

Connie Fredenberg

(907) 444-6220

conniefredenberg@mtaonline.net

Grace Oomittuk

(907) 631-2867

graceoomittuk@mtaonline.net

Fax: (866) 420-2532 or (907) 746-7286