

**Alaska Energy Authority
PCE Program Overview
July 24, 2008**

Program Establishment and Eligibility:

- The PCE program was established in 1985 as one of the components of a statewide energy plan, providing economic assistance to customers in rural areas of Alaska that do not have the benefit of large subsidized energy projects such as the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Four Dam Pool Project. Prior to the PCE program, there was the Power Production Assistance Program and the Power Cost Assistance Program.
- An electric utility is eligible for PCE reimbursement if 1) they provide electric service to the public for compensation 2) during calendar year 1983, had eligible residential consumption less than 7,500 megawatt hours for one community, or if the utility served two or more communities had eligible residential consumption less than 15,000 megawatt hours and 3) during calendar year 1984, the utility produced more than 75% of their power by diesel generators.
- If served by an eligible utility, a residential customer is eligible for PCE credit up to 500 kWh/month. A community facility, defined as 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, is eligible for PCE credit. Collectively, eligible community facilities share PCE credit up to 70 kWh/month multiplied by the community population.

Program Administration:

- The Regulatory Commission of Alaska determines the PCE level for each utility based on:
 - Fuel expenses such as the cost of fuel, and transportation; and
 - Non-fuel expenses such as salaries, insurance, taxes, parts and supplies, interest and other reasonable costs.
- The Alaska Energy Authority administers the PCE program based on:
 - Fiscal appropriation by the Legislature
 - Monthly reports submitted by the participating utilities, and
 - Determination of eligibility for residential and community facility customers.

Program Formula:

RCA sets the PCE level by calculating the lesser of the rate charged by the utility or eligible power costs based on the following formula:

- 95% of the eligible costs per kWh between:
 - 12.00 cents/kWh or the weighted average residential rates of Anchorage, Juneau and Fairbanks, "the floor," (currently 12.83 cents/kWh) and
 - 52.5 cents/kWh, "the ceiling."

- Costs below 12.83 cents/kWh and above 52.5 cents/kWh are not eligible for PCE. The current maximum PCE level is 37.69 cents/kWh $(52.50 - 12.83) \times 0.95$. Currently there are approximately 41 locations at the maximum PCE level.
- RCA provides AEA the base rate calculation annually; the FY 2009 calculation was based on Utilities' 2007 annual reports. In FY 2008, the average cost of power in Anchorage, Fairbanks and Juneau exceeded 12.0 cents/kWh for the first time since the 12.0 cent floor was established.

Fiscal Year	Base Rate (cents/kWh)
2003	10.60
2004	10.57
2005	10.52
2006	11.10
2007	11.70
2008	12.87
2009	12.83

Detail from RCA's FY 2009 base rate calculation:

Utility	Cents/kWh	% Utility's Residential kWh in Anch, Fbks, or Juneau	% Total Residential kWh in Anch, Fbks, and Juneau
AEL&P	10.02	100.00	13.88
Chugach Electric	13.81	98.7	53.71
GVEA	16.92	22.20	6.93
MEA	13.41	26.80	11.08
ML&P	9.47	100.00	14.39

Program Eligibility:

- An eligible residential customer may receive PCE credit on up to the first 500 kWhs consumed each month.

Community	Sample Residential Rates and PCE Benefit				
	Lime Village	Cordova	Chuathbaluk	King Cove	Wainwright (2007)
Residential Customers	20	798	42	184	520
Residential Rates					
\$/kWh	1.1700	0.4313	0.7749	0.2400	0.1500
PCE 100%					
\$/kWh	0.3769	0.1628	0.3769	0.0713	0.0213
Effective Rate	0.7931	0.2685	0.3980	0.1687	0.1287
<i>Assuming Residential Customer uses 500 kWh/month</i>					
\$ Cost/month no PCE	\$ 585.00	\$ 215.65	\$ 387.45	\$ 120.00	\$ 75.00
\$ Benefit/month at 100%	\$ 188.45	\$ 81.40	\$ 188.45	\$ 35.65	\$ 10.65
\$ Cost/month at 100%	\$ 396.55	\$ 134.25	\$ 199.00	\$ 84.35	\$ 64.35

- Each community has a maximum community facility credit of 70 kWh per month multiplied by the community population. Examples of community facilities include washeteria, water pump station, street lights, community centers, city and tribal council offices, and clinics.

- For FY 2007, there were 22 communities that consistently reached their kWh capacity for community facilities. The 22 communities include Chignik, Chignik Lagoon, Cordova, Egegik, False Pass, G&K utility serving Cold Bay, Galena, Grayling, Healy Lake, Hughes, Igiugig, Deering (served by Ipnatchiaq Utility), King Cove, Larsen Bay, Minto, Naknek, Selawik, St. Paul, Skagway, Stevens Village, Takotna, and Nikolski (served by Umnak Power Company).
- State and Federal customers, as well as commercial customers, including schools, are not eligible for PCE credit.

PCE Endowment Fund:

- The PCE Endowment Fund was created and capitalized in FY 2001 with funds from the Constitutional Budget Reserve and the Four Dam Pool Project sale proceeds. The PCE Endowment Fund is managed by the Department of Revenue for the Alaska Energy Authority; it is invested to earn at least 7% over time. \$182.7 million was appropriated to the fund in FY 2007. The deposit occurred in October 2006.
- AS 42.45.085 provides that 7% of the PCE Endowment Fund's 3 year monthly average market value may be appropriated to the PCE Rural Electric Capitalization Fund for annual PCE program costs.

PCE Endowment Invested Assets at June 30:

	Fiscal Year Earnings	Fair Value	Actual Return
2000	1,726,614	101,726,614	
2001	(6,049,407)	95,677,206	(6.00)%
2002	(5,716,214)	172,445,674	(5.09)%
2003	6,241,929	166,653,975	3.88%
2004	20,676,236	179,303,474	12.90%
2005	15,384,400	181,113,210	8.78%
2006	14,591,803	184,456,694	8.43%
2007	44,876,372	400,250,076	15.91%
2008	(18,750,502)	368,706,164	(4.68)%