Power Cost Equalization Program

Jeff Williams
PCE Program Manager / Community Assistance Advisor

Alaska Municipal League
Annual Conference
November 21, 2019
The **Alaska Energy Authority (AEA)** is an independent public corporation of the state governed by a board of directors with the mission to “reduce the cost of energy in Alaska.” AEA is the state's energy office and lead agency for statewide energy policy and program development.
The **Power Cost Equalization (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.
PCE Program

194 Communities Served

$27 Million Disbursed in FY 2018

Supported by AEA Rural Utility Assistance

New Web Portal to Increase Accuracy
PCE Endowment Fund

- Created and capitalized in FY 2001, the PCE Endowment Fund is managed by the Department of Revenue
- $32 million authorized to PCE Program in FY 2020
- Provided $30 million in earnings to community assistance program in FY 2019

As of June 30, 2019, the PCE Endowment Fund balance was valued at $1.1 billion
PCE Vocabulary

- **PCE Floor or Base Rate** – The weighted average cost per kWh in Anchorage, Fairbanks, and Juneau

- **PCE Ceiling** – The maximum cost per kWh that may be included when determining the power cost equalization per kWh

- **PCE Effective Rate** – Rate charged by the utility minus PCE level

- **PCE Level** – The state reimbursement per eligible kWh calculated for each community based on eligible fuel and non-fuel costs (more on next slide)
PCE Levels Are Based on the Least of:

- **MAXIMUM PCE RATE**: $1.00 minus the current base rate
- **COST BASED**: 95% of eligible cost per/kWh minus the base rate
- **RATE BASED**: The per kWh rate minus the base rate
PCE Levels – What’s Included

Eligible

✓ Fuel cost for current generation
✓ Certain non-fuel costs, which include salaries, insurance, taxes, parts and supplies, interest and depreciation expense, and other reasonable costs
✓ Costs associated with renewable energy generation

Not Eligible

✗ Fuel cost associated with past generation (old fuel debt)
✗ Capital expense for grant-funded equipment
✗ The depreciation on grant-funded equipment
Proper Accounting is Key

- Timely application
- Accounting errors or omissions can result in lower PCE levels
- Include depreciation of non-grant funded assets
- Ensure debt for utility expenses is incurred by utility