Program Fact Sheet: Power Cost Equalization Program

Current Status:
The estimated FY2015 costs for PCE are $41.4 million. For FY2015 the base rate is $0.1482.
FY2014 estimated costs for PCE are also currently $41.4 million. For FY2014, the base rate was $0.1406.
The PCE Endowment Fund’s market value of total invested assets was $957.3 million as of 10/31/14.

Program Background:
The purpose of the Power Cost Equalization (PCE) program is to equalize power cost per kilowatt-hour statewide at a cost close to or equal to the mean of the cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau. The PCE program provides economic assistance to communities and residents of rural electric utilities where the cost of electricity can be three to five times higher than for customers in more urban areas of the state. PCE is a core element underlying the financial viability of centralized power generation in rural communities.

Under Alaska Statutes 42.45.100-170, the Regulatory Commission of Alaska (RCA) determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. AEA determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.

Program Progress:
The Alaska Energy Authority adopted and amended regulations dealing with the eligibility requirements for community facilities under the PCE Program. 3 AAC 107.267 was added to address the state or federal funding of community facilities. This regulation clarifies that the receipt of state or federal government payments is not considered state or federal payment of operating costs if the local community receives the benefits of the power cost equalization payment rather than the state or federal government.

3 AAC 107.270(b) was altered to amend the definition of a community building from being open to the general public to being operated for the “benefit” of the general public.

Funding:
The PCE Program is funded by earnings of the PCE Endowment Fund and State General Funds. 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 Program. Any FY2014 and FY2015 costs in excess of the PCE Endowment Fund appropriations are funded with State General Funds. Funding estimates are:

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>FY2014</th>
<th>FY2015</th>
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<tbody>
<tr>
<td>PCE Endowment Fund</td>
<td>$33,091,000</td>
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<tr>
<td>State of Alaska General Fund</td>
<td>$8,266,000</td>
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<tr>
<td>Total</td>
<td>$41,357,000</td>
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