



Revised: December 5, 2011

**Alaska Energy Authority  
Program Fact Sheet:**

**Power Cost Equalization Program**

**Current Status:**

The estimated FY2012 costs for PCE are \$34 million. For FY2012, the base rate was lowered from \$0.1439 to \$0.1342. The total program cost for FY2011 is \$32.5 million. The PCE endowment's total invested assets were \$729.3 million as of 10/31/2011.

**Program Description:**

The goal of Alaska Energy Authority's (AEA) Power Cost Equalization (PCE) program is to provide economic assistance to customers in rural areas of Alaska where the kilowatt-hour charge for electricity can be three to five times higher than the charge in more urban areas of the state. PCE only pays a portion of approximately 29% of all kWh's sold by the participating utilities.

PCE fundamentally improves Alaska's standard of living by helping small rural areas maintain the availability of communications and the operation of basic infrastructure and systems, including water and sewer, incinerators, heat and light. PCE is a core element underlying the financial viability of centralized power generation in rural communities.

The Legislature established different functions for AEA and the Regulatory Commission of Alaska (RCA) under Alaska Statutes 42.45.100-170, which govern PCE program responsibilities.

AEA determines eligibility of community facilities and residential customers and authorizes payment to the electric utility. Commercial customers are not eligible to receive PCE credit. Participating utilities are required to reduce each eligible customer's bill by the amount that the State pays for PCE.

RCA determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. A formula is used to determine PCE levels. The PCE rate is 95% of eligible costs per kWh between the "base rate" of \$0.1342/kWh and \$1.00/kWh, the "ceiling". If costs are below \$0.1342/kWh, they are not eligible for PCE. The maximum PCE level is \$0.8225/kWh. A participating utility must meet generation efficiency and line loss standards.

**PCE Endowment Fund**

The PCE Endowment Fund was created and capitalized in FY2001 with Funds from the Constitutional Budget Reserve and the Four Dam Pool Project sale proceeds. The PCE Endowment Fund is an Alaska Energy Authority Fund managed by the Department of Revenue; it is invested to earn at least 7% over time. \$182.7 million was appropriated to the fund in FY2007, and \$400 million was appropriated in FY2011.

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.