


Power Cost Equalization Program

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The background of the slide features a scenic landscape. In the foreground, there is a dense field of green shrubs. Behind this, a white wind turbine stands on a grassy hill. In the distance, a range of rugged, green mountains is visible under a sky with soft, white clouds. The text is overlaid on a semi-transparent white rectangular box in the center of the image.

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



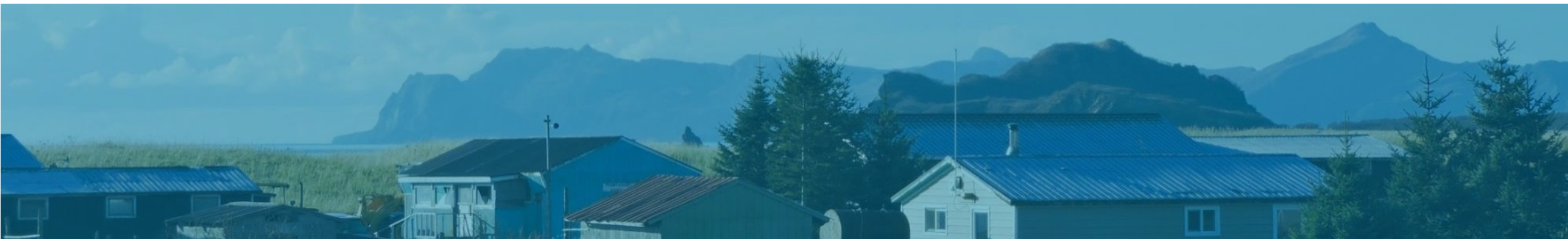
\$27 Million
Disbursed
in FY 2018



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

A photograph showing three large white wind turbines in the background, with several small, single-story houses in the foreground. The houses have different colored roofs (red, grey, green). The scene is set in a rural or semi-rural area with a clear sky.

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

95% of the maximum eligible cost/kWh
[\$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

Get in Touch



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