

ALASKA ENERGY AUTHORITY

# POWER COST EQUALIZATION PROGRAM

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# Power Cost Equalization (PCE)

**PCE is a key part of Alaska's energy policy**—helping rural residents access affordable electricity despite isolation and high infrastructure costs, narrowing the gap with urban rates and supporting rural utilities.



188

RURAL COMMUNITIES



81

ELECTRIC UTILITIES



81,000+

ALASKANS



750 kWh

RESIDENTIAL

Residential customer are eligible for PCE credit up to 750 kWhs per month.

70 kWh

COMMUNITY FACILITIES

Community facilities can receive PCE credit for up to 70 kWhs per month multiplied by the number of residents in a community.

\$46M

FUNDS DISBURSED

In fiscal year 2025, AEA disbursed \$46 million to rural electric utilities benefiting 81,000+ Alaskans.

St. George Island, Pribilof Islands, Alaska

# PCE Program Inception

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- 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.
- The PCE program provides economic assistance to communities and residents in rural areas of Alaska where, in many instances, the kWh charge for electricity can be three to five times higher than the average kWh rate of 20.28¢ (7/25) in Anchorage, Fairbanks or Juneau.
- The PCE program was established to assist rural residents at the same time state funds were used to construct major energy projects to assist more urban areas. Most urban and road connected communities benefit from major state-subsidized energy.
- Rural communities not on the road system that are dependent on diesel fuel do not benefit from the large subsidized energy projects, and PCE is a cost-effective alternative to provide comparable rate relief to rural residents.

# PCE Program Funding

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- This fund is administered by the Alaska Energy Authority and is composed of
  - 1) Appropriations by the State Legislature
  - 2) Appropriations from the NPRA
  - 3) Gifts, bequests, and contributions from other sources
  - 4) Interest earned on the fund balance.
- The PCE Endowment Fund is an AEA fund managed by the Alaska Permanent Fund Corporation. It is invested to earn 7% over time. 7% of the PCE Endowment Fund's three-year monthly average market value may be appropriated to the PCE Rural Electric Capitalization Fund for annual PCE program costs.
- The August 31, 2025 PCE Endowment Fund balance was \$1,003,313.90.

# State Agency Roles in PCE Administration

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- The Regulatory Commission of Alaska (RCA) determines eligibility for electric utilities. The RCA also sets the PCE level for each community.
- The Alaska Energy Authority (AEA) administers the PCE Fund based on:
  - Fiscal appropriations by the legislature.
  - Monthly reports submitted by participating utilities.
  - Determination of eligibility for residential and community facility customers.

# Determining Residential Customer Eligibility

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**3 AAC 107.230. Exclusions from power cost equalization.** (a) A customer whose facility has more than one meter will only receive power cost equalization credit for the master meter.

## **3 AAC 107.260. Standards for customer eligibility.**

To receive a power cost equalization payment, a customer of an eligible electric utility (1) must be billed by the utility in accordance with the relevant tariff, rate structure, separate demand charge, or minimum charge; (2) shall make timely payments to the utility, for the electric power purchased, at least annually or on an appropriate schedule throughout the year, and in an amount equal to the required annual payment, if this practice is justified by the community's seasonal economy, the local utility rule, and the economic feasibility of the practice by the local utility; and (3) shall pay to the utility at least the applicable base amount determined by the commission under AS 42.45.110 and 3 AAC 52.160, plus the difference between the utility rate and the amount of power cost equalization, for each kilowatt-hour consumed.

AS 44.83.020; (6) \_residential customer\_ means a customer whose residence is the (A) location receiving electrical service, regardless of whether the customer engages in commercial activity at the customers residence; and (B) place of residence in this state as determined under AS 15.05.020 for the purpose of voting.

# Determining Residency



## **Alaska Statute 15.05.020. Rules for determining residence of voter.**

For the purpose of determining residence for voting, the place of residence is governed by the following rules:

(1) A person may not be considered to have gained a residence solely by reason of presence nor may a person lose it solely by reason of absence while in the civil or military service of this state or of the United States or of absence because of marriage to a person engaged in the civil or military service of this state or the United States, while a student at an institution of learning, while in an institution or asylum at public expense, while confined in public prison, while engaged in the navigation of waters of this state or the United States or of the high seas, while residing upon an Indian or military reservation, or while residing in the Alaska Pioneers' Home or the Alaska Veterans' Home.

(2) The residence of a person is that place in which the person's habitation is fixed, and to which, whenever absent, the person has the intention to return. If a person resides in one place, but does business in another, the former is the person's place of residence. Temporary work sites do not constitute a dwelling place.

(3) A change of residence is made only by the act of removal joined with the intent to remain in another place. There can only be one residence.

(4) A person does not lose residence if the person leaves home and goes to another country, state, or place in this state for temporary purposes only and with the intent of returning.

(5) A person does not gain residence in any place to which the person comes without the present intention to establish a permanent dwelling at that place.

(6) A person loses residence in this state if the person votes in another state's election, either in person or by absentee ballot, and will not be eligible to vote in this state until again qualifying under [AS 15.05.010](#).

(7) The term of residence is computed by including the day on which the person's residence begins and excluding the day of election.

(8) The address of a voter as it appears on the official voter registration record is presumptive evidence of the person's voting residence. This presumption is negated only if the voter notifies the director in writing of a change of voting residence.

# Determining Community Facility Eligibility



**3 AAC 107.260. Standards for customer eligibility.** To receive a power cost equalization payment, a customer of an eligible electric utility (1) must be billed by the utility in accordance with the relevant tariff, rate structure, separate demand charge, or minimum charge; (2) shall make timely payments to the utility, for the electric power purchased, at least annually or on an appropriate schedule throughout the year, and in an amount equal to the required annual payment, if this practice is justified by the community's seasonal economy, the local utility rule, and the economic feasibility of the practice by the local utility; and (3) shall pay to the utility at least the applicable base amount determined by the commission under AS 42.45.110 and 3 AAC 52.160, plus the difference between the utility rate and the amount of power cost equalization, for each kilowatt-hour consumed.

**3 AAC 107.267. State or federal funding of community facilities.** (a) A community facility is not eligible for power cost equalization if the costs of operating the community facility, or eligible portion of the community facility, are paid for by the state, federal government, or private commercial interests. (b) As used in (a) of this section, the receipt of state or federal government funds by a community facility is not state or federal government payment for the costs of operating the community facility if the local community will receive the benefits of the power cost equalization payment, rather than the state or federal government. The local community receives the benefits of the power cost equalization payment if (1) the state or federal government does not direct the community facility to spend the state or federal government funds on operating costs of the community facility, and (2) the power cost equalization payment will not reduce the amount of state or federal government funding provided to the community facility. (c) For all or a portion of a community facility

As used in **AS 42.45.150** \_community building\_ means a community facility that (1) is not operated for profit; (2) is operated for the benefit of the general public.

# Determining PCE Rates

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- PCE is computed on a kWh basis, and some communities may have different PCE rate levels for residential and community facility customers. PCE levels are based on a utility's rates or costs, whichever is less.
- An approved utility is required to report annually to the RCA its power generation, sales and how many gallons of fuel it took to produce the kilowatt hours generated, and the costs of that fuel. Additionally non-fuel expenses must be reported annually.
- Each year, as per AS 42.45.110(c)(2) the RCA releases an updated base rate charge (BRC) based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau.

# PCE Rate Calculations

There are two formulas for determining PCE rates; Cost Based and Rate Based. Both formula examples shown are based on the FY2026 BRC of 20.38¢ per kWh.

## Cost Based PCE Level:

A utility that sold 300,000 during the reporting period, received 25,000 gallons of fuel @ \$4.90, and reported non-fuel expenses of \$120,000.

Fuel cost 25,000 x \$4.90 =	\$122,500.00
Non-fuel expenses =	<u>\$120,000.00</u>
	\$242,500.00

$\$242,500 \text{ total costs} \div 300,000 \text{ kWh sold} = 80.83\text{¢ per kWh}$

$80.83\text{¢} - 20.38\text{¢} = 60.45\text{¢} \times 95\% = 57.42\text{¢ PCE Level}$

## Rate Based PCE Level:

A Rate based PCE level is set if the Average Class Rate (Residential Rate minus 19.10¢) is less than the Cost based rate.

A formula is used to determine PCE levels:

95% of a utility's costs between 20.38¢/kWh and \$1.00/kWh are used to calculate the PCE level.

If costs are below 20.38¢/kWh, they are not eligible for PCE.

If the eligible costs are more than \$1.00/kWh, the maximum PCE level is 75.64¢/kWh

$\$1.00 - 20.38\text{¢/kWh} = 79.62\text{¢/kWh}$

$79.62\text{¢/kWh} \times 95\% = 75.64\text{¢/kWh}$



# Thank You

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