

Power Cost Equalization Overview



Power Cost Equalization (PCE)

- Established in 1985
- Component of statewide energy plan
- “Equalizes” high costs in rural AK with lower costs in urban AK
- Ensures centralized power generation in rural communities

PCE Program

- State funds are appropriated each year by The Alaska State Legislature
- Utilities give eligible customers PCE credit at time of billing
- PCE funds are reimbursed to utilities as appropriate

Regulatory Commission of AK (RCA)

- Determines utility eligibility
- Calculates Base Rate
- Sets PCE level for each utility



Regulatory Commission of Alaska

Alaska Energy Authority (AEA) through its PCE Department

- Administers PCE appropriation
- Verifies customer eligibility
- Makes payments to utilities
- Calculates pro-rated PCE levels based on available funds

PCE Levels

- 95% of eligible/kWh cost between “base rate” and “ceiling”
- Base rate = \$0.1935
Ceiling = \$1.00

$$\$1.00 - \$0.1935 = \$0.8065 \times 95\% = \$0.7662$$

(Example Maximum PCE Level)

Eligible PCE Customers:

The State of Alaska Statutes exclude from PCE, state and federal offices and facilities, as well as commercial customers including schools and churches. Residential and community facility customers are generally eligible to receive PCE credits, with the following statutory limits:

- Residential customers are eligible for PCE credit for up to 750-kilowatt hours of consumption per month.
- Community facilities, as a group, can receive PCE credit for up to 70 kWh per month multiplied by the community population as provided by AEA at the start of each fiscal year. For example; population of 100 multiplied by 70 kWh's equals a total of 7,000 kWh's that would be eligible to receive PCE credit.

Exclusions from power cost equalization

- A customer whose facility has more than one meter will only receive power cost equalization credit for the master meter.
- Power consumption measured by a station service meter required in 3 AAC [107.200](#) is not eligible for power cost equalization credit.

Community Facilities:

As used in AS 42.45.150 (1), "community building" means a community facility that

- a) is not operated for profit;
- b) is open to the general public;
- c) billed by the utility in accordance with relevant tariff, rate structure, separate demand charge, or minimum charge
- d) makes timely payments to the utility for the electric power consumed; and
- e) 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.

Why is the RCA Involved in the PCE Program?

- Required by the Legislature to:
 - Calculate base rate for PCE
 - Calculate PCE amounts for each participating utility
 - Determine utility eligibility



Base Rate Calculation



- What is the Base Rate?
 - Weighted Average Residential electric rate for consumers of Anchorage, Fairbanks, and Juneau
 - Calculated each year and is effective July 1
 - Currently 19.35 cents/kWh (FY24)

Components of the PCE Calculation



- **Non-fuel costs**
 - For non-regulated – adjusted when annual report is reviewed
 - For regulated – adjusted when permanent base rates are set in a rate case (or a simplified rate filing)
 - ✦ The RCC is included in the non-fuel cost calculation for regulated utilities
- **Fuel costs**
 - For non-regulated – adjusted with fuel reports
 - For regulated – adjusted with COPA/FCRA
- **PCE Base Rate**
 - Set every year to be effective July 1

Determining PCE Amounts



- **Submitted reports**
 - Annual Report -Non-fuel Costs - such as salaries, insurance, parts, supplies, and other reasonable costs used in the production of power
 - Fuel Report -Fuel Costs -cost of fuel, delivery charges, and purchased power

- **Review of submitted information**
 - Only necessary and reasonable costs that can be verified are used
 - Eliminate any duplicative or unnecessary costs
 - Utility's profit is not included when determining the PCE amount

Efficiency and Line Loss



- **Efficiency**
 - Measured as kWh generated/gallons consumed
 - Minimum standard is based on utility size and kilowatt hour generation amount. Range from 8.5 kWh to 13.5 kWh.
 - If the standard is not met a utility's fuel cost is calculated as if it met the standard. This is done by reducing the reported gallons consumed.

Efficiency and Line Loss



- **Line Loss**

- Measured as $(\text{kWh generated} - (\text{kWh sold} + \text{Station Service}) / \text{kWh generated}$
- Minimum standard is 12%
- If the standard is not met the reported kWh sold is increased to meet the standard of 12%.

Determining PCE Amounts



- The eligible PCE amount is based on the lesser of:
- The utility's costs,
- The utility's rate per kWh or,
- The maximum PCE amount of 76.62¢ per kWh
($\$1.00 - 19.35¢ \times 95\% = 76.62¢$ per kWh)

Example of Cost Based PCE



Utility sold 300,000 kWh

PCE Calculation:

Fuel Cost for 25,000 (gal) X \$4.50= \$112,500

Non-Fuel cost of the utility = \$ 75,000
\$187,500

\$187,500/ 300,000 kWh Sold = 62.5¢/kWh

62.5¢ - 19.35¢ = 43.15 X 95% = 40.99¢ PCE Amount

What happens after the PCE Amount is approved?



- RCA notifies the utility and AEA of the new PCE amount by a Letter Order
- PCE Amounts might change each time a utility files:
 - Annual Report
 - Fuel Report
 - Rate Change
 - Base Rate Change
 - Surcharge Change



Correspondence



- RCA issues a suspension recommendation to AEA when utility fails to file the required report by the due date
- RCA sends a reminder when the annual report is due

AEA Help Page

