

ALASKA ENERGY AUTHORITY

# POWER COST EQUALIZATION AND FUNDING TOOLS

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RE+ Alaska

Powering Up the Last Frontier:  
Renewables, IPPs, and PCE Subsidies  
October 20, 2025



**AEA's mission  
is to reduce  
the cost of  
energy in  
Alaska.**



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### **Railbelt Energy (Owned Assets)**

- Bradley Lake Hydroelectric Project
- Alaska Intertie
- Sterling to Quartz Creek Transmission Line
- High-Voltage Direct Current Transmission Line

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### **Power Cost Equalization**

- \$48 Million Program
- 188 Rural Communities
- 82 Electric Utilities
- 82,000+ Alaskans

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### **Rural Energy**

- Bulk Fuel Upgrades
- Rural Power System Upgrades
- Circuit Rider Program
- Electrical Emergency Assistance

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### **Renewable Energy and Energy Efficiency**

- Renewable projects: biomass, electric vehicles, hydroelectric, solar, and wind
- Federal programs: NEVI, Solar for All, and Home Energy and High Efficiency Rebate Allocations

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### **Grants and Loans**

- Renewable Energy Fund
- Power Project Fund

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### **Energy Planning**

- Alaska Energy Security Task Force
- State Energy Security Profile
- Electronic Library
- Energy Data Resources
- 40101(d) Grid Resilience Program

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### **Railbelt Transmission Organization**

# AEA Active Projects and Services



## Grants and Loans

- Power Project Fund
- Renewable Energy Fund

## Owned Assets

- Other Transmission Lines
- Transmission
- Transmission Lines Owned by AEA

## Power Cost Equalization

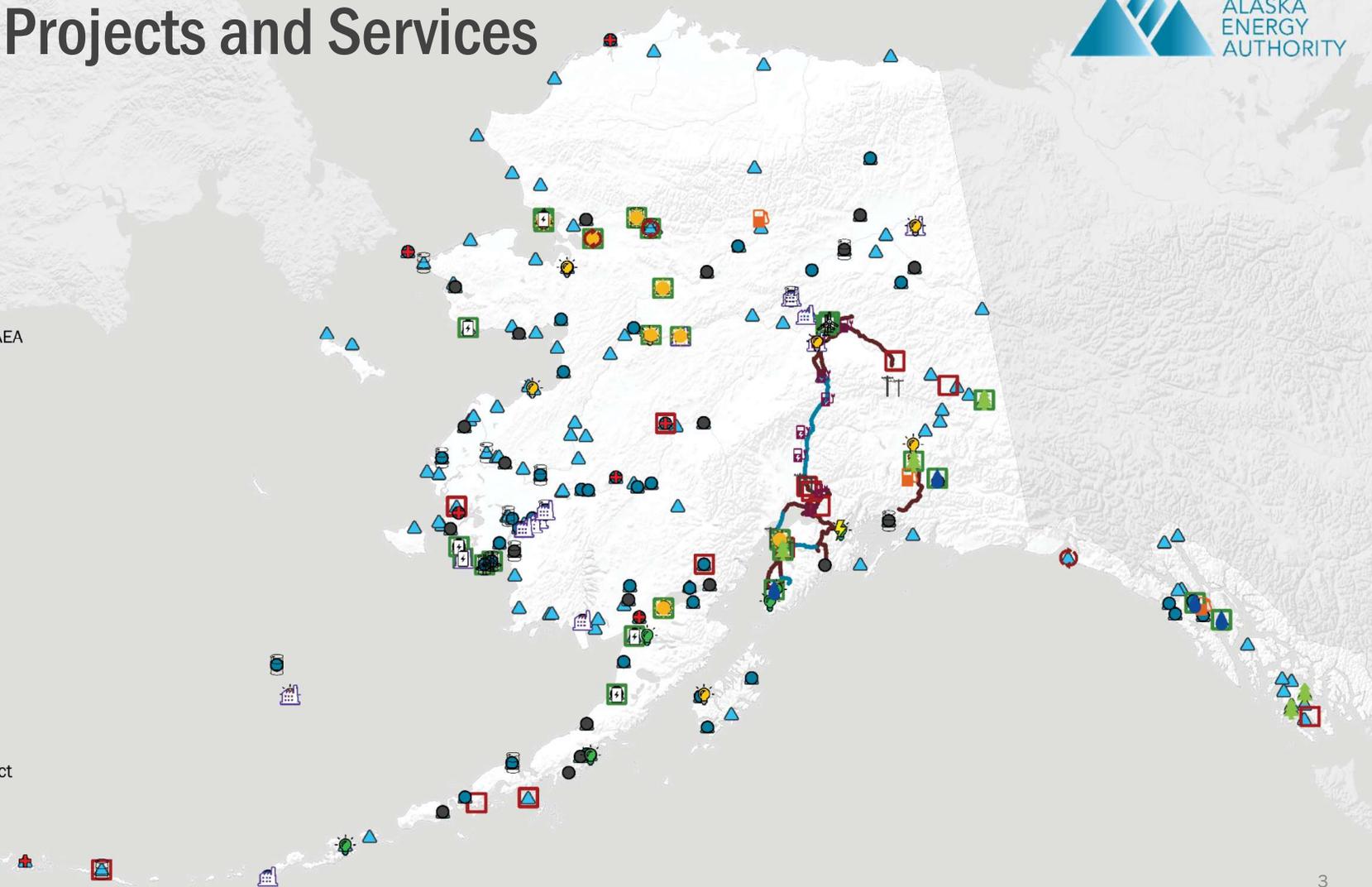
- PCE Communities

## Renewable Energy

- Biomass
- Electric Vehicles
- Port Electrification
- Heat Recovery
- Hydroelectric
- Solar
- Storage
- Wind

## Rural Energy

- Bulk Fuel
- Diesel Emissions Reduction Act
- Circuit Rider Assistance
- Emergency Assistance
- Utility Training

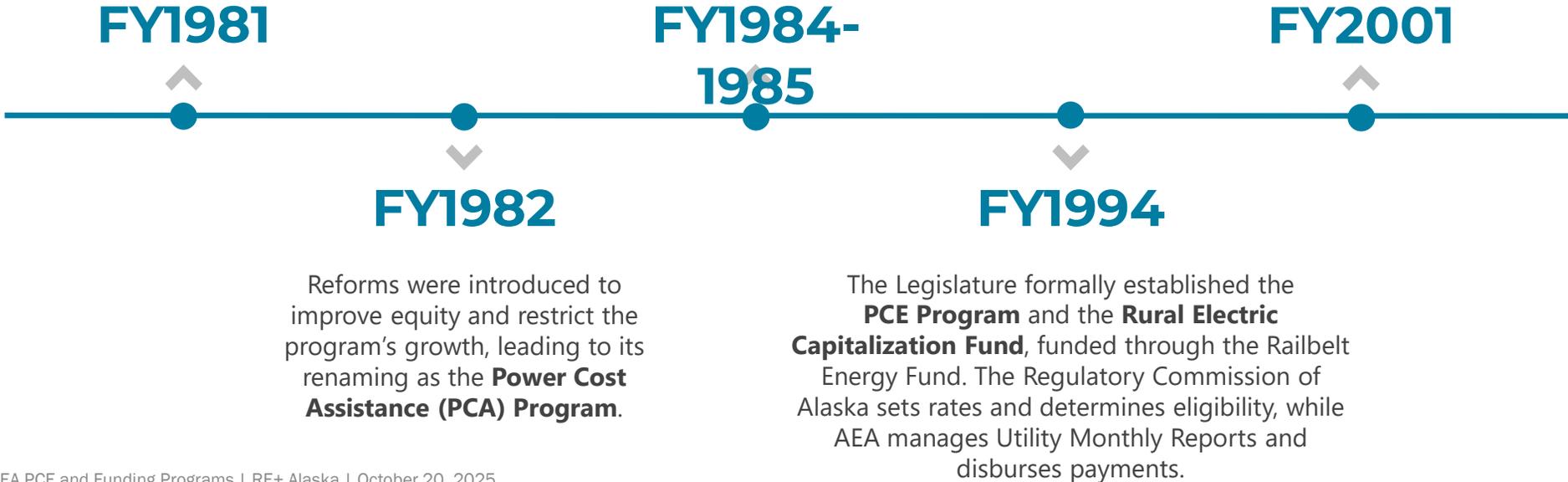


# PCE Program Throughout the Years

Backed by new oil revenues, the State launched the **Power Production Cost Assistance (PPCA) Program** to help offset utility generation costs. Despite concerns over inefficiency, it was enacted into law.

The **Power Cost Equalization (PCE) Program** was officially established, subsidizing 95 percent of eligible costs above a base rate—bringing rural rates closer to those in Anchorage, Fairbanks, and Juneau. The PCE Program focused on small, diesel-dependent utilities and later adopted usage caps and funding priorities to ensure long-term viability.

The PCE Endowment Fund was created under Alaska Statute 42.45.070, initially funded by the Four Dam Pool Project and the Constitutional Budget Reserve, with additional contributions in FY2007 and FY2012. In 2023, fiduciary responsibility was transferred to the **Alaska Permanent Fund Corporation**.



# Today's PCE Program

**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.



193

RURAL COMMUNITIES



82

ELECTRIC UTILITIES



82,000

ALASKANS



St. George Island, Pribilof Islands, AK

750 kWh

RESIDENTIAL

Residential customer are eligible for PCE credit up to 70 kWhs per month.

70 kWh

PUBLIC FACILITIES

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

\$47M

FUNDS DISBURSED

In fiscal year 2025, AEA disbursed \$47 million to rural electric utilities benefiting 82,000 Alaskans.

# Regulatory Commission of Alaska (RCA)

The RCA is the state agency responsible for regulating public utilities and ensuring fair and reasonable rates for consumers. In the context of the PCE program, RCA plays a critical role:

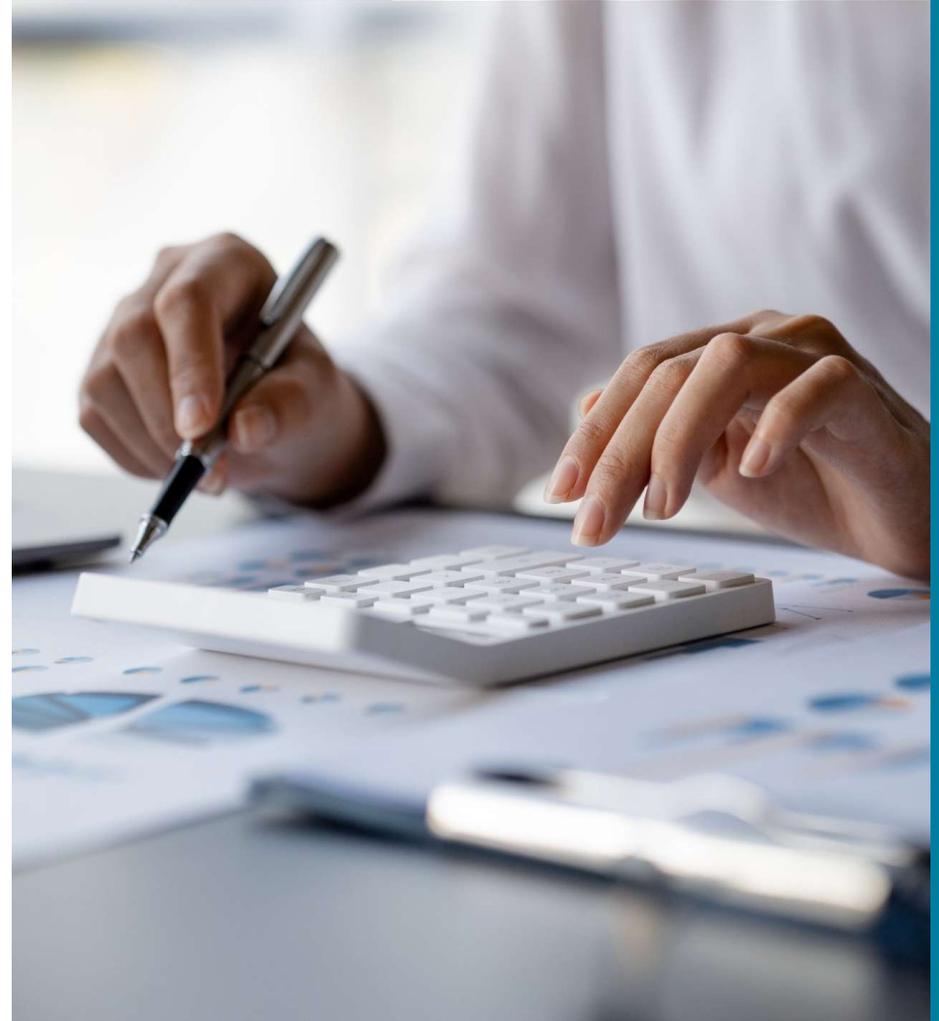
- **Confirms Utility Eligibility**  
Reviews applications to ensure utilities meet PCE program requirements.
- **Calculates Base Rate**  
Sets the benchmark rate using average residential costs in Anchorage, Fairbanks, and Juneau.
- **Establishes PCE Credit**  
Determines the per-utility credit based on the gap between actual cost and the base rate.



# AEA PCE Team

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- ✔ **Administers PCE Appropriation**  
Oversees allocation and compliance with program guidelines.
- ✔ **Verifies Customer Eligibility:**  
Ensures applicants meet statutory requirements.
- ✔ **Makes Payments to Utilities**  
Processes and distributes funds accurately and on time.
- ✔ **Calculates Pro-Rated**  
PCE Levels Adjusts based on available funds to maintain fairness.



# PCE Levels: Base Rate vs. Ceiling

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## What's Included

- **Eligible Cost** = Fuel Costs + Non-Fuel Costs  
(95 percent of the eligible per-kilowatt (kWh) cost between the base rate and the ceiling)
- **Covers all allowable costs** (except return on equity) under AS 42.05, as used by the RCA to determine revenue.

## Key Rates

- **Base Rate:** \$0.2038
- **Ceiling:** \$1.00

## Example:

- **Calculation:**  $\$1.00 - \$0.2038 = \$0.7962 \times 95\% = \$0.7564$
- **Maximum PCE Level:** \$0.7564

## Eligible per kWh Cost:

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All allowable costs (except return on equity) under Alaska Statute 42.05, as used by the RCA to determine revenue:

**Fuel Costs** – Determined under AS 42.05 procedures, including but not limited to:

- Availability and reliability of supply
- Price must constitute a just and reasonable immediate delivery cost for gas

**Non-Fuel Costs** – Determined under AS 42.05 procedures, including but not limited to:

- Whether a utility could meet its public service obligations:
  - Timely delivery
  - Without undue risk to the public

# Eligible PCE Customers and Statutory Limits

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**Under Alaska Statutes**, certain entities are **excluded from PCE**, while **residential** and **community facility customers** are generally **eligible** subject to **statutory limits**.

- **Generally Eligible:**

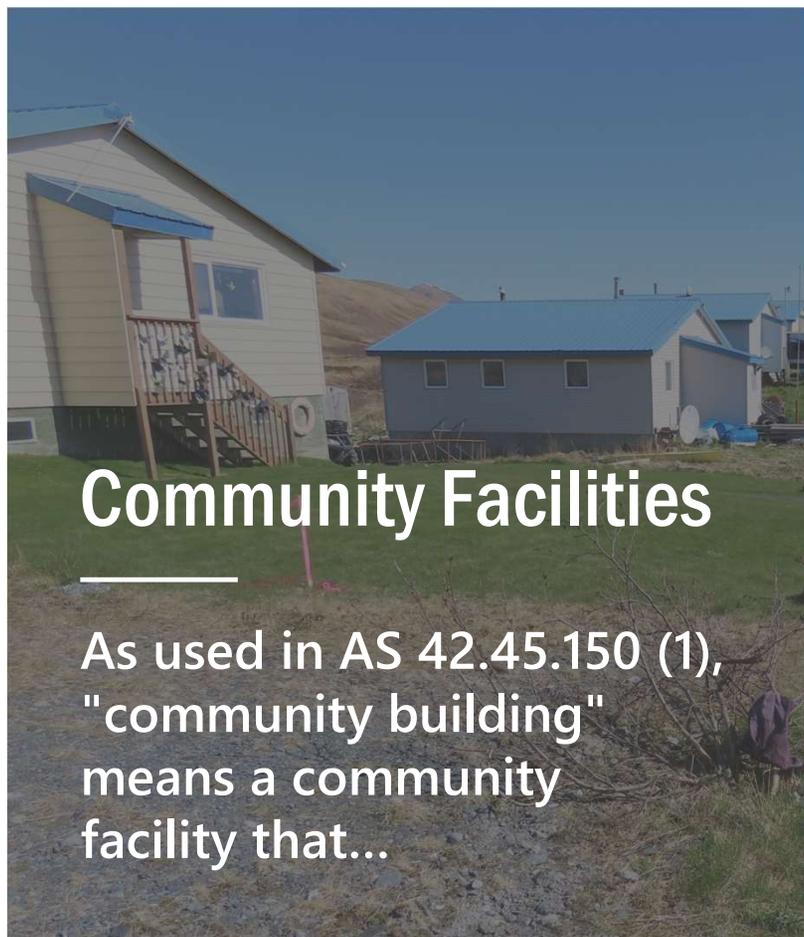
- ✓ Residential customer
- ✓ Community facilities

- **Statutory Limits**

- **Residential:** Up to 750 kWh per month eligible for PCE credit.
- **Community Facilities:** As a group, eligible for 70 kWh per person per month based on population provided by AEA at the start of each fiscal year.
- **Example:** Population = 100 →  $100 \times 70 \text{ kWh} = 7,000 \text{ kWh}$  eligible.

- **Exclusions:**

- State and federal offices and facilities
- Commercial customers (including schools and churches)
- Facilities with multiple meters (only master meter qualifies)
- Power measured by station service meter (3 AAC 107.200)



- 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.

# Who is Eligible to Participate in PCE?



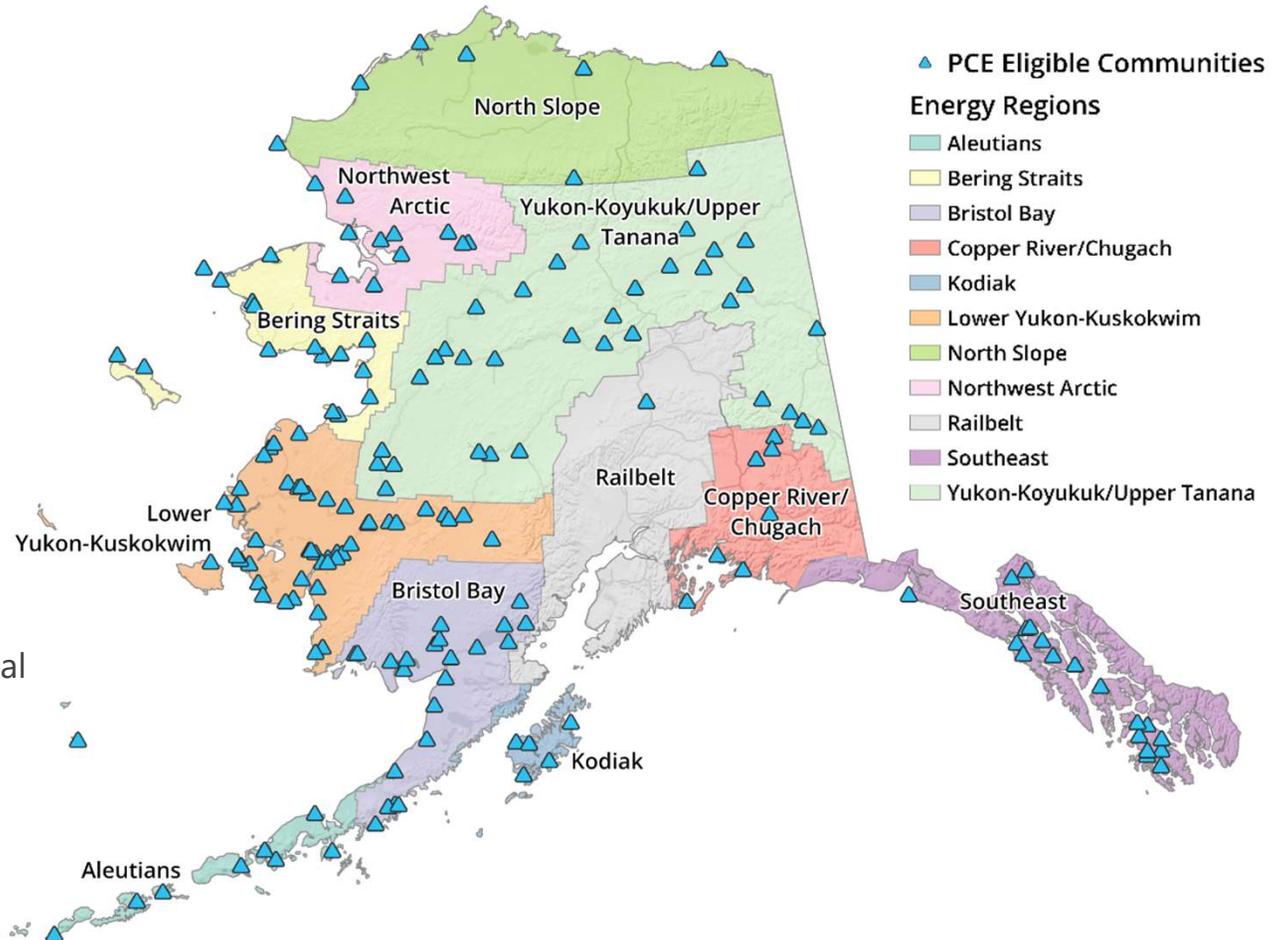
The PCE eligibility is determined by the Regulatory Commission of Alaska in accordance with AS 42.45.100-170.

## Eligible customers include:

- Residential and community facilities (water, sewer, public lighting, and clinics, etc.)

## Non-eligible customers include:

- State and federal facilities and commercial customers
- Any community with rates lower than the urban average (the PCE floor)



# Renewable Energy Fund (REF)

**REF Round 17** funded the **six top-ranked projects** recommended by **AEA**, with legislative approval and the Governor's concurrence, for a **FY2026 appropriation of \$6.3 million**. For **Round 18**, **AEA** has received **35 applications** and is reviewing them now, with recommended projects to be submitted to the Legislature in **early January** for **FY2027 funding**.

## REF Highlights

Round 13: 11 Projects – \$4.75M

Round 14: 27 Projects – \$15M

Round 15: 18 Projects – \$17M

Round 16: 5 Projects – \$10.5M

Round 17: 6 Projects – \$6.3M



Kongiganak, Alaska



Since its inception, the State has invested **\$333 million** in the REF;



**110+ projects are operational**, and **56** more in **development**;



REF projects have displaced **120 million gallons of diesel to date** and offset **1.15 billion cubic feet of natural gas each year**.

# Power Project Fund (PPF) Loan Program

AEA's Power Project Fund (PPF) offers flexible, low-cost financing for eligible electric power projects. The program supports electric utilities, local governments, regional and village corporations, and independent power producers in developing, expanding, or upgrading power facilities. A wide range of project types qualify.



## Outstanding Loans

\$29.8 Million  
15 Loans



## Uncommitted Cash Balance

\$10.2 Million as of  
September 2025



## Competitive Rates

Current PPF Interest Rate  
5.58% as of September 2025



## House Bill 307

Offers Reduced Interest Rate  
for Loans \$5 Million or More



# Thank You

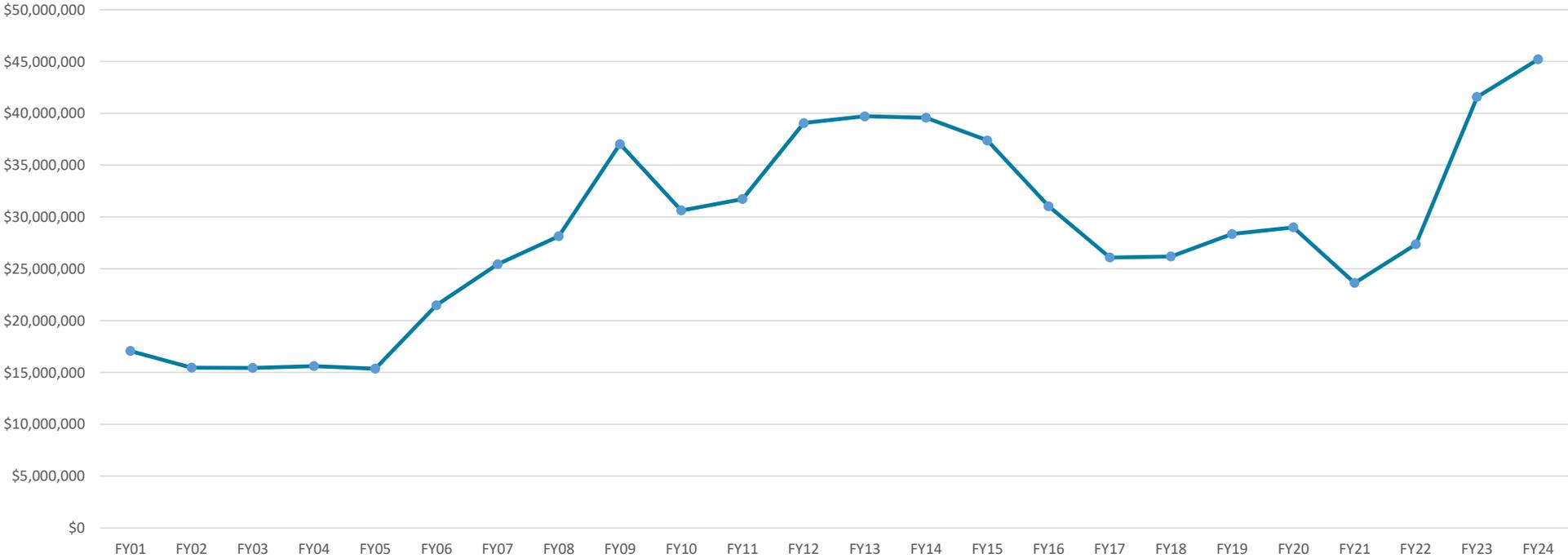
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# PCE Disbursements (Millions)



AS 42.45.085 provides that 5% of the PCE Endowment Fund 3-year average market value may be appropriated to the program.



# PCE Endowment Value (Thousands)

