

# **State of Alaska FY2017 Governor's Operating Budget**

## **Department of Commerce, Community, and Economic Development Alaska Energy Authority Power Cost Equalization Component Budget Summary**

**Component: Alaska Energy Authority Power Cost Equalization**

**Contribution to Department's Mission**

Reduce the cost of electricity for residential customers and community facilities in rural Alaska.

**Major Component Accomplishments in 2015**

The Alaska Energy Authority (AEA) embarked on significant outreach for the Power Cost Equalization (PCE) program that included presentations during the Rural Energy Conference, Alaska Federation of Natives and a separate "PCE Summit" with key stakeholders.

AEA offered two PCE training classes for utility clerks. PCE training provides utility clerks with essential technical knowledge in order to help ensure continued participation in the program. The training is open to all participants but specifically targets non-participating utilities that require training to re-enter the program as well as participating utilities that have had a turnover in their utility clerk positions.

AEA's community assistance team also provided additional outreach, targeting communities who are not participating in PCE. Through their efforts the number of communities not receiving PCE has been reduced by more than half. The number of participating communities has increased to 193 and only two communities are inactive in the PCE program. Community assistance staff are actively working with those communities on their power system and utility management, including PCE reporting.

In 2014, Power Cost Equalization regulations were developed and adopted addressing the state or federal funding of community facilities and altering the definition of a community building from being open to the general public to being operated for the benefit of the general public. In 2015, all retroactive and current community facility applications were process and a new standard for two-week response has been set. Community assistance and PCE staff have been working with communities to identify eligible facilities and to ensure communities are receiving maximum PCE benefit.

The 193 communities currently participating in PCE have received \$38,132,300 for FY2015. As of September 30, 2015 the PCE Endowment Fund has a net asset value of \$909,302,655. During FY2016, AEA estimates it will provide an estimated \$40,000,000 in PCE reimbursement payments to utilities in 193 rural communities.

**Key Component Challenges**

Because of high staff turnover rate in the 88 rural utilities (representing 193 communities participating in the PCE program), the training and assistance to the utility staff continues to be a challenge.

**Significant Changes in Results to be Delivered in FY2017**

No significant changes to component.

**Statutory and Regulatory Authority**

AS 42.45 Rural and Statewide Energy Programs  
3 AAC 107 Grant Programs  
3 AAC 52.600 Criteria for Determination of Power Cost Equalization

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**Component Detail All Funds**  
**Department of Commerce, Community, and Economic Development**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)  
**RDU:** Alaska Energy Authority (453)

Formula Component

	FY2015 Actuals	FY2016 Conference Committee	FY2016 Authorized	FY2016 Management Plan	FY2017 Governor	FY2016 Management Plan vs FY2017 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	2.5	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	352.5	355.0	355.0	355.0	355.0	0.0	0.0%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	37,777.3	41,000.0	41,000.0	41,000.0	40,000.0	-1,000.0	-2.4%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>38,132.3</b>	<b>41,355.0</b>	<b>41,355.0</b>	<b>41,355.0</b>	<b>40,355.0</b>	<b>-1,000.0</b>	<b>-2.4%</b>
<b>Fund Sources:</b>							
1169PCE Endow (DGF)	38,132.3	41,355.0	41,355.0	41,355.0	40,355.0	-1,000.0	-2.4%
<b>Unrestricted General (UGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Designated General (DGF)</b>	<b>38,132.3</b>	<b>41,355.0</b>	<b>41,355.0</b>	<b>41,355.0</b>	<b>40,355.0</b>	<b>-1,000.0</b>	<b>-2.4%</b>
<b>Other Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Federal Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Positions:</b>							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

**Change Record Detail - Multiple Scenarios with Descriptions**  
**Department of Commerce, Community, and Economic Development**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)

**RDU:** Alaska Energy Authority (453)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2016 Conference Committee To FY2016 Authorized *****												
<b>Estimated Power Cost Equalization Endowment Payments Sec14(f) Ch23 SLA2015 P70 L3 (HB72)</b>												
ConfC(L)		41,355.0	0.0	0.0	355.0	0.0	0.0	41,000.0	0.0	0	0	0
1169 PCE Endow		41,355.0										
<p>Sec. 14 (f) The amount necessary, estimated to be \$41,355,000, not to exceed the amount determined under AS 42.45.085(a), is appropriated from the power cost equalization endowment fund (AS 42.45.070(a)) to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2016.</p>												
<b>Estimated Power Cost Equalization Endowment Payments Sec14(g) Ch23 SLA2015 P70 L3 (HB72)</b>												
Language		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<p>Sec. 14 (g) If the amount in (f) of this section is not sufficient to pay power cost equalization endowment program costs without proration, the amount necessary to pay power cost equalization program costs without proration, estimated to be \$0, is appropriated from the general fund to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2016.</p>												
<b>Subtotal</b>		<b>41,355.0</b>	<b>0.0</b>	<b>0.0</b>	<b>355.0</b>	<b>0.0</b>	<b>0.0</b>	<b>41,000.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

***** Changes From FY2016 Management Plan To FY2017 Governor *****												
<b>Reduce Estimated Power Cost Equalization Program Costs</b>												
Dec		-1,000.0	0.0	0.0	0.0	0.0	0.0	-1,000.0	0.0	0	0	0
1169 PCE Endow		-1,000.0										

The Power Cost Equalization (PCE) program provides economic assistance to communities and residents in rural areas, where the cost of electricity can be three to five times higher than for customers in more urban areas of the state. The program was created to equalize power cost per kilowatt-hour (kWh) statewide at a cost close to or equal to the mean of the cost per kWh in Anchorage, Fairbanks, and Juneau. PCE is a core element underlying the financial viability of centralized power generation in rural communities.

Under Alaska Statutes 42.45.100-170, the Regulatory Commission of Alaska (RCA) determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. The Alaska Energy Authority (AEA) determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.

Program costs are expected to decline because of lower fuel costs.

<b>Reverse Power Cost Equalization and Endowment Payments for FY2015 Sec14g Ch23 SLA2015 P70 L8 (HB72)</b>												
OTI		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

Reverse FY2016 Language: If the amount appropriated in (f) of this section is not sufficient to pay power cost equalization program costs without proration, the amount necessary to pay power cost equalization program costs without proration, estimated to be \$0, is appropriated from the general fund to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2016.

**Reverse Power Cost Equalization and Endowment Funding for FY2016**

**Change Record Detail - Multiple Scenarios with Descriptions**  
**Department of Commerce, Community, and Economic Development**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)

**RDU:** Alaska Energy Authority (453)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
1169 PCE Endow	OTI	-41,355.0	0.0	0.0	-355.0	0.0	0.0	-41,000.0	0.0	0	0	0
		-41,355.0										
<p>Reverse FY2016 Power Cost Equalization (PCE) program costs. The Power Cost Equalization (PCE) program provides economic assistance to communities and residents in rural areas, where the cost of electricity can be three to five times higher than for customers in more urban areas of the state. The program was created to equalize power cost per kilowatt-hour (kWh) statewide at a cost close to or equal to the mean of the cost per kWh in Anchorage, Fairbanks, and Juneau. PCE is a core element underlying the financial viability of centralized power generation in rural communities.</p> <p>Under Alaska Statutes 42.45.100-170, the Regulatory Commission of Alaska (RCA) determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. The Alaska Energy Authority (AEA) determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.</p>												
<b>Restore Power Cost Equalization and Endowment Funding for FY2017</b>												
1169 PCE Endow	IncM	41,355.0	0.0	0.0	355.0	0.0	0.0	41,000.0	0.0	0	0	0
		41,355.0										
<p>The Power Cost Equalization (PCE) program provides economic assistance to communities and residents in rural areas, where the cost of electricity can be three to five times higher than for customers in more urban areas of the state. The program was created to equalize power cost per kilowatt-hour (kWh) statewide at a cost close to or equal to the mean of the cost per kWh in Anchorage, Fairbanks, and Juneau. PCE is a core element underlying the financial viability of centralized power generation in rural communities.</p> <p>Under Alaska Statutes 42.45.100-170, the Regulatory Commission of Alaska (RCA) determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. The Alaska Energy Authority (AEA) determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.</p>												
<b>Totals</b>		<b>40,355.0</b>	<b>0.0</b>	<b>0.0</b>	<b>355.0</b>	<b>0.0</b>	<b>0.0</b>	<b>40,000.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Line Item Detail**  
**Department of Commerce, Community, and Economic Development**  
**Travel**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)  
**RDU:** Alaska Energy Authority (453)

Line Number	Line Name		FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
72000	Travel		2.5	0.0	0.0
<b>Expenditure Account</b>			<b>FY2015 Actuals</b>	<b>FY2016 Management Plan</b>	<b>FY2017 Governor</b>
	<b>Servicing Agency</b>	<b>Explanation</b>			
<b>72000 Travel Detail Totals</b>			<b>2.5</b>	<b>0.0</b>	<b>0.0</b>
72100	Instate Travel	Administrative travel costs.	2.5	0.0	0.0

**Line Item Detail**  
**Department of Commerce, Community, and Economic Development**  
**Services**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)  
**RDU:** Alaska Energy Authority (453)

Line Number	Line Name		FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
73000	Services		352.5	355.0	355.0
Expenditure Account	Servicing Agency	Explanation	FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
<b>73000 Services Detail Totals</b>			<b>352.5</b>	<b>355.0</b>	<b>355.0</b>
73025	Education Services	Conference fees, memberships.	0.3	0.0	0.0
73225	Delivery Services	Freight, courier service, and postage.	1.5	0.0	0.0
73812	Legal	Law	0.1	0.0	0.0
73979	Mgmt/Consulting (IA Svcs)	AIDEA	237.1	195.0	195.0
		Alaska Industrial Development and Export Association (AIDEA) - Management support services.			
73979	Mgmt/Consulting (IA Svcs)	Reg Comm of AK	113.5	160.0	160.0
		Regulatory Commission of Alaska.			



**Line Item Detail**  
**Department of Commerce, Community, and Economic Development**  
**Grants, Benefits**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)  
**RDU:** Alaska Energy Authority (453)

Line Number	Line Name		FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
77000	Grants, Benefits		37,777.3	41,000.0	40,000.0
Expenditure Account	Servicing Agency	Explanation	FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
<b>77000 Grants, Benefits Detail Totals</b>			<b>37,777.3</b>	<b>41,000.0</b>	<b>40,000.0</b>
77110	Grants	Power Cost Equalization Program grants (AS 42.45.110)	37,777.3	41,000.0	40,000.0

**Unrestricted Revenue Detail**  
**Department of Commerce, Community, and Economic Development**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)  
**RDU:** Alaska Energy Authority (453)

Master Account	Revenue Description				FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
68515	Unrestricted Fund				436.3	0.0	0.0
<b>Detail Information</b>							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
66190	Py Reimburse Recvry Prior-year reimbursement recovery.				436.3	0.0	0.0

**Restricted Revenue Detail**  
**Department of Commerce, Community, and Economic Development**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)  
**RDU:** Alaska Energy Authority (453)

Master Account	Revenue Description				FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
51465	Power Cost Equalization Endowment Fund				38,132.3	41,355.0	40,355.0
<b>Detail Information</b>							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
51465	Power Cost Equalization Endowment Fund Endowment fund (AS 42.45.070).				38,132.3	41,355.0	40,355.0

**Interagency Services**  
**Department of Commerce, Community, and Economic Development**

**Component:** Alaska Energy Authority Power Cost Equalization (2602)  
**RDU:** Alaska Energy Authority (453)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
73812	Legal	RSA with the Department of Law for legal services.	Inter-dept	Law	0.1	0.0
					<b>0.0</b>	<b>0.0</b>
				<b>73812 Legal subtotal:</b>	<b>0.1</b>	<b>0.0</b>
73979	Mgmt/Consulting (IA Svcs)	Alaska Industrial Development and Export Association (AIDEA) - Management support services.	Intra-dept	AIDEA	237.1	195.0
73979	Mgmt/Consulting (IA Svcs)	Regulatory Commission of Alaska.	Intra-dept	Reg Comm of AK	113.5	160.0
				<b>73979 Mgmt/Consulting (IA Svcs) subtotal:</b>	<b>350.6</b>	<b>355.0</b>
				<b>Alaska Energy Authority Power Cost Equalization total:</b>	<b>350.7</b>	<b>355.0</b>
				<b>Grand Total:</b>	<b>350.7</b>	<b>355.0</b>