

# **State of Alaska FY2018 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 2016**

Through the Alaska Energy Authority's (AEA) on-going efforts, the number of Power Cost Equalization (PCE) program-eligible communities not participating in the PCE program has been reduced to only two. A total of 194 communities currently participate in the PCE program.

AEA trained 13 utility clerks at a PCE program training. PCE training provides utility clerks with essential technical knowledge in order to help ensure continued participation in the program and accuracy of reporting. The training is open to all eligible PCE community utilities, but specifically targets non-participating utilities that require training to re-enter the program as well as participating utilities with new utility clerks.

AEA assisted 16 communities to receive technical assistance training funded by the US Department of Energy. The assistance focused on utility management, rate setting and PCE reporting, all specifically oriented toward accurately filing PCE reports and remaining eligible for the program.

AEA assisted 17 communities with community facility certifications and eligibility determination requests for PCE. This work ensures that eligible community facilities receive the benefits of reduced electrical costs through the PCE program.

AEA staff assisted communities daily with their PCE filings, and with questions throughout the year. In addition to these regular contacts, the PCE program manager met with many communities during the Rural Energy Conference in Fairbanks.

The 194 communities currently participating in PCE have received \$30,765,886 for FY2016 (as of November 4, 2016). AEA estimates total FY2016 PCE program costs will be approximately \$32 million.

**Key Component Challenges**

Because of high staff turnover rate in the 88 rural utilities (representing 194 communities participating in the PCE program), the training and assistance to the utility staff continues to be a challenge. AEA's reduced staffing provide limited capacity to cross train staff, making it challenging to meet the ongoing demands associated with serving the 194 participating communities.

**Significant Changes in Results to be Delivered in FY2018**

During a recent review of program administrative costs, AEA determined that administrative costs to manage the PCE program, including the cost of collecting PCE data for statistical reporting and other energy data analysis, were subsidized by general fund dollars in prior years. This was consistent with general fund subsidies for the PCE program costs through FY2014. Beginning in FY2015, the amount appropriated from the PCE Endowment Fund has been sufficient to fund the program without general fund appropriation. Accordingly, AEA has requested a fund source change so that the PCE Endowment fund is appropriately the fund source for the PCE program starting in FY2018.

**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

**Contact Information**

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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

	FY2016 Actuals	FY2017 Conference Committee	FY2017 Authorized	FY2017 Management Plan	FY2018 Governor	FY2017 Management Plan vs FY2018 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	0.5	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	354.1	355.0	355.0	355.0	355.0	0.0	0.0%
74000 Commodities	0.4	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	31,596.1	40,000.0	40,000.0	40,000.0	37,500.0	-2,500.0	-6.3%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>31,951.1</b>	<b>40,355.0</b>	<b>40,355.0</b>	<b>40,355.0</b>	<b>37,855.0</b>	<b>-2,500.0</b>	<b>-6.2%</b>
<b>Fund Sources:</b>							
1169PCE Endow (DGF)	31,951.1	40,355.0	40,355.0	40,355.0	37,855.0	-2,500.0	-6.2%
<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>31,951.1</b>	<b>40,355.0</b>	<b>40,355.0</b>	<b>40,355.0</b>	<b>37,855.0</b>	<b>-2,500.0</b>	<b>-6.2%</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	
<b>***** Changes From FY2017 Conference Committee To FY2017 Authorized *****</b>												
<b>Power Cost Equalization Endowment Fund Sec13f Ch3 4SSLA2016 P76 L14 (HB256)</b>												
	ConfC(L)	40,355.0	0.0	0.0	355.0	0.0	0.0	40,000.0	0.0	0	0	0
1169 PCE Endow		40,355.0										
Sec. 13(f) The amount necessary, estimated to be \$40,355,000, 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, 2017.												
<b>Subtotal 40,355.0 0.0 0.0 355.0 0.0 0.0 40,000.0 0.0 0 0 0</b>												
<b>***** Changes From FY2017 Management Plan To FY2018 Governor *****</b>												
<b>Reverse Power Cost Equalization and Endowment Funding for FY2017</b>												
	OTI	-40,355.0	0.0	0.0	-355.0	0.0	0.0	-40,000.0	0.0	0	0	0
1169 PCE Endow		-40,355.0										
Reverse FY2017 Power Cost Equalization (PCE) program costs. The 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 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 determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.												
<b>Restore Power Cost Equalization and Endowment Funding for FY2018</b>												
	IncM	37,855.0	0.0	0.0	355.0	0.0	0.0	37,500.0	0.0	0	0	0
1169 PCE Endow		37,855.0										
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 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 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>Totals 37,855.0 0.0 0.0 355.0 0.0 0.0 37,500.0 0.0 0 0 0</b>												

**Line Item Detail (1676)**  
**Department of Commerce, Community, and Economic Development**  
**Travel**

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

Line Number	Line Name		FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
2000	Travel		0.5	0.0	0.0
Object Class	Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
<b>2000 Travel Detail Totals</b>			<b>0.5</b>	<b>0.0</b>	<b>0.0</b>
2000	In-State Employee Travel	In-State Transportation - Transportation costs for travel relating to administration, conventions and meetings, boards and commissions.	0.5	0.0	0.0

**Line Item Detail (1676)**  
**Department of Commerce, Community, and Economic Development**  
**Services**

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

Line Number	Line Name		FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
3000	Services		354.1	355.0	355.0
Object Class	Servicing Agency	Explanation	FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
<b>3000 Services Detail Totals</b>			<b>354.1</b>	<b>355.0</b>	<b>355.0</b>
3000	Education Services	Training, educational conferences, agency memberships, tuition, books and fees for work-related courses.	0.3	0.0	0.0
3007	Advertising and Promotions	Advertising, promotions and legal notices.	0.8	0.0	0.0
3011	Other Services	Other professional services.	111.2	113.0	113.0
3024	Inter-Agency Legal	Law - Department-wide Legal services.	1.7	2.0	2.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234) Alaska Industrial Development and Export Authority support.	240.1	240.0	240.0

**Line Item Detail (1676)**

**Department of Commerce, Community, and Economic Development  
Commodities**

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

<b>Line Number</b>	<b>Line Name</b>		<b>FY2016 Actuals</b>	<b>FY2017 Management Plan</b>	<b>FY2018 Governor</b>
4000	Commodities		0.4	0.0	0.0
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>	<b>FY2016 Actuals</b>	<b>FY2017 Management Plan</b>	<b>FY2018 Governor</b>
		<b>4000 Commodities Detail Totals</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>
4002	Household/Institutional	Cleaning, food and other household supplies.	0.4	0.0	0.0



**Line Item Detail (1676)**

**Department of Commerce, Community, and Economic Development  
Grants, Benefits**

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

<b>Line Number</b>	<b>Line Name</b>		<b>FY2016 Actuals</b>	<b>FY2017 Management Plan</b>	<b>FY2018 Governor</b>
7000	Grants, Benefits		31,596.1	40,000.0	37,500.0
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>	<b>FY2016 Actuals</b>	<b>FY2017 Management Plan</b>	<b>FY2018 Governor</b>
		<b>7000 Grants, Benefits Detail Totals</b>	<b>31,596.1</b>	<b>40,000.0</b>	<b>37,500.0</b>
7001	Grants	Power Cost Equalization program payments.	31,596.1	40,000.0	37,500.0

**Revenue Detail (1681)**

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

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

<b>Revenue Type (OMB Fund Code)</b> <b>Revenue Source</b>	<b>Component</b>	<b>Comment</b>	<b>FY2016 Actuals</b>	<b>FY2017 Management Plan</b>	<b>FY2018 Governor</b>
<b>6004 Gen Fund (1004 Gen Fund)</b>			<b>1,431.9</b>	<b>0.0</b>	<b>0.0</b>
6046 General Fund - Prior Year Reimbursement Recovery		Reimbursement of unexpended general fund subsidization of the Power Cost Equalization disbursement in FY2014.	1,431.9	0.0	0.0
<b>6169 PCE Endow (1169 PCE Endow)</b>			<b>31,951.1</b>	<b>40,355.0</b>	<b>37,855.0</b>
6815 PCE Endowment Fund - Miscellaneous		Power Cost Equalization Funds.	31,951.1	40,355.0	37,855.0

**Inter-Agency Services (1682)**

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

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

				FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
<b>Component Totals</b>				<b>241.8</b>	<b>242.0</b>	<b>242.0</b>
With Department of Law				1.7	2.0	2.0
With Department of Commerce, Community, and Economic Development				240.1	240.0	240.0
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>		FY2016 Actuals	FY2017 Management Plan	FY2018 Governor
3024	Inter-Agency Legal	Law - Department-wide	Legal services.	1.7	2.0	2.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	Alaska Industrial Development and Export Authority support.	240.1	240.0	240.0