

State of Alaska
FY2021 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 2019

AEA administers the Power Cost Equalization program (PCE), which serves over 84,000 Alaskan in 194 communities that are largely reliant on diesel fuel for power generation. In FY2019, 194 of the 195 eligible communities were active in the PCE program. Through AEA's ongoing efforts, the number of PCE program-eligible communities not participating in the PCE program has been reduced to only one.

PCE Program Costs: The 194 communities currently participating in PCE have received \$27.5 million for FY2019. Total FY2018 PCE program distributions were \$26.2 million.

PCE Clerk Training: AEA provides PCE training to utility clerks. PCE training gives utility clerks 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 utilities that require training to re-enter the program as well as utilities with new utility clerks.

PCE Technical Assistance: AEA assisted 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.

PCE Reporting Portal: In response to concerns raised by rural utilities about the need for faster payment processing and more simplified reporting, AEA developed a web-based reporting portal. AEA has worked with a small handful of utilities to test the new PCE Reporting Portal. AEA continues to work with utilities to provide training on the portal to increase its use. Use of the portal is optional. The Portal allows utilities to submit monthly reports directly to a form on the web. Benefits of the portal include easier submission of the PCE reports, savings on postage, faster turnaround for payment, and convenient access to historic Utility Monthly Reports in digital form.

Key Component Challenges

Because of high staff turnover rate in rural utilities (representing 194 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 FY2021

No significant changes to the Power Cost Equalization program are anticipated.

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

Contact: Curtis W. Thayer, Executive Director
Phone: (907) 771-3000
E-mail: cthayer@akenergyauthority.org

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

	FY2019 Actuals	FY2020 Conference Committee	FY2020 Authorized	FY2020 Management Plan	FY2021 Governor	FY2020 Management Plan vs FY2021 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	1.6	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	342.1	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	28,689.6	32,000.0	32,000.0	32,000.0	29,500.0	-2,500.0	-7.8%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	29,033.3	32,355.0	32,355.0	32,355.0	29,855.0	-2,500.0	-7.7%
Fund Sources:							
1169 PCE Endow (DGF)	29,033.3	32,355.0	32,355.0	32,355.0	29,855.0	-2,500.0	-7.7%
Unrestricted General (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Designated General (DGF)	29,033.3	32,355.0	32,355.0	32,355.0	29,855.0	-2,500.0	-7.7%
Other Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
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 FY2020 Conference Committee To FY2020 Authorized *****												
Alaska Energy Authority Power Cost Equalization Allocation Sec21f Ch1 FSSLA2019 P67 L8 (HB 39)												
1169 PCE Endow	ConfC(L)	32,355.0	0.0	0.0	355.0	0.0	0.0	32,000.0	0.0	0	0	0
<p>Sec. 21(f) The amount necessary for the purposes specified in AS 42.45.085(a), estimated to be \$32,355,000, not to exceed the amount determined under AS 42.45.080(c)(1), 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, 2020.</p>												
Subtotal		32,355.0	0.0	0.0	355.0	0.0	0.0	32,000.0	0.0	0	0	0
***** Changes From FY2020 Management Plan To FY2021 Governor *****												
Reverse Alaska Energy Authority Power Cost Equalization Allocation Sec21f Ch1 FSSLA2019 P67 L8 (HB 39)												
1169 PCE Endow	OTI	-32,355.0	0.0	0.0	-355.0	0.0	0.0	-32,000.0	0.0	0	0	0
Reverse Alaska Energy Authority Power Cost Equalization Allocation Sec21f Ch1 FSSLA2019 P67 L8 (HB 39).												
Restore Power Cost Equalization and Endowment Funding for FY2021												
1169 PCE Endow	IncM	29,855.0	0.0	0.0	355.0	0.0	0.0	29,500.0	0.0	0	0	0
<p>The Alaska Energy Authority (AEA) is reducing grant authority by \$2.5 million based on historical averages and similar trends in fuel costs. PCE grant disbursements were \$31.6 million in FY2016; \$26.4 million in FY2017; \$26.2 million in FY2018; and estimated to be \$28.7 million in FY2019. PCE disbursements are expected to remain relatively stable in FY2021. Program costs are impacted by the "PCE floor" calculated by the Regulatory Commission of Alaska (RCA). In FY2018, because of increases in the cost of power in urban Alaska, the PCE floor was raised, lowering the overall cost of the program. AEA does not expect the program payments to exceed \$29.5 million in FY2021. However, changing factors can cause this estimate to be higher or lower than actual costs.</p> <p>The Power Cost Equalization 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 RCA determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. AEA determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.</p>												
Totals		29,855.0	0.0	0.0	355.0	0.0	0.0	29,500.0	0.0	0	0	0

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

Component: Alaska Energy Authority Power Cost Equalization (2602)

Line Number	Line Name		FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
2000	Travel		1.6	0.0	0.0
Object Class	Servicing Agency	Explanation	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
2000 Travel Detail Totals			1.6	0.0	0.0
2000	In-State Employee Travel	In-State Transportation - Transportation costs for travel relating to administration, conventions and meetings, boards and commissions.	1.6	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		FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
3000	Services		342.1	355.0	355.0
Object Class	Servicing Agency	Explanation	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
3000 Services Detail Totals			342.1	355.0	355.0
3007	Advertising and Promotions	Advertising, promotions and legal notices.	0.1	0.0	0.0
3011	Other Services	Other professional services.	101.6	113.0	113.0
3024	Inter-Agency Legal	Law - Department-wide Legal services.	0.0	2.0	2.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234) Alaska Industrial Development and Export Authority support.	240.4	240.0	240.0

Line Item Detail (1676)

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

Component: Alaska Energy Authority Power Cost Equalization (2602)

Line Number	Line Name		FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
7000	Grants, Benefits		28,689.6	32,000.0	29,500.0
Object Class	Servicing Agency	Explanation	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
		7000 Grants, Benefits Detail Totals	28,689.6	32,000.0	29,500.0
7001	Grants	Power Cost Equalization program payments.	28,689.6	32,000.0	29,500.0

Revenue Detail (1681)

Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Power Cost Equalization (2602)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
6169 PCE Endow (1169 PCE Endow)			29,033.3	32,355.0	29,855.0
6815 PCE Endowment Fund - Miscellaneous		Power Cost Equalization Funds.	29,033.3	32,355.0	29,855.0

Inter-Agency Services (1682)

Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Power Cost Equalization (2602)

	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
Component Totals	240.4	242.0	242.0
With Department of Law	0.0	2.0	2.0
With Department of Commerce, Community, and Economic Development	240.4	240.0	240.0

Object Class	Servicing Agency	Explanation	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
3024	Inter-Agency Legal	Law - Department-wide	0.0	2.0	2.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	240.4	240.0	240.0