Lawmakers revise rural energy formula

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Electric bills may eventually go up in many rural areas as the result of new legislation, although how much is not yet known. Under the same measure, Bush lawmakers may be spared their annual battle with urban counterparts over funding for rural power subsidies, at least for several years.

Since the early 1980's, the state has provided funds to many rural utilities to offset the higher cost of producing electricity with generators that run on imported diesel fuel. This year, the legislature substantially reorganized state energy programs and in the process ordered changes in the so-called Power Cost Equalization (PCE) program.

While the new energy bill does not change the basic administrative procedures of the PCE program, it does revise the formula for calculating the amount of subsidy to be paid per kilowatt hour (kwh) of electricity consumed. It also mandates state and federal offices and facilities from the program. Electricity used by residential, commercial and community buildings will continue to be eligible for PCE funds.

Under the old formula, the PCE covered 95 percent of residential and commercial power costs that fell between 8.5 cents/kwh and 52.5 cents/kwh for up to 750 kilowatt hours of electricity used per month.

Now, the program will pay 95 percent of costs between 9.5 cents/kwh and 52.5 cents/kwh, and only up to 700 kwh of electricity consumed per month.

Raising the "floor" of the PCE formula from 8.5 cents to 9.5 cents will affect customers differently, depending on the rate they're currently being charged by local utilities. Electricity costs above the floor are generally considered in excess of typical kwh costs for electricity in urban areas. Lowering the maximum amount of energy consumed that is eligible for PCE subsidy from 750 to 700 kwh will have relatively little impact on residential bills since average consumption typically falls below the new limit.

While Bush legislators didn't get all they had hoped in the en-

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ergy bill, they did persuade their colleagues to pass a provision that reads in part:

"The Legislature recognizes the high cost of electrical power in rural Alaska and intends that funding for power cost equalization ... remain at a minimum of $17 million annually through the year 2013."

To that end, the legislature put a total of $66.9 million into the PCE fund to be used both for electric subsidies and for planning and developing projects to help utilities generate power and manage operations more cost-effectively.

But with annual PCE program funding needs ranging on average from $17-20 million per year, it's difficult to predict how long the PCE fund will last before it needs to be replenished.

Because there are a number of factors involved in implementing the new PCE formula, trying to predict the specific impact on electrical bills is also difficult at this time. Some tentative and unofficial estimates suggest that residential electrical rates for homes using about 500 kwh per month could range from 3 percent higher in villages where energy costs average about 60 cents/kwh, to 8 percent higher where the cost of power averages 18 cents/kwh.

However, if PCE administrators decide to use the PCE fund to cover total current demand, such increases would likely be offset and rates would remain the same, or decline slightly, at least in the short term. For the last two years, the fund has not had enough money to cover total demand.

The new energy legislation continues to have a strong emphasis on energy efficiency. Under the new energy bill, the Alaska Energy Authority was abolished, but it's programs will be moved to other agencies, among them the Dept. of Community and Regional Affairs.