



## FACT SHEET – Energy Priorities

Special Legislative Session on Energy Issues

July 23, 2008

Alaska Natives are committed to working with the state and federal governments and private sector partners to help meet the energy needs of Alaska and the nation. Energy companies, policymakers and consumers all have roles to play in creating a new energy future for Alaska and for the United States. **But first, we must stabilize energy costs and provide immediate relief for individuals, families and communities who are hard hit and unable to pay the current high energy costs.** We believe a multi-faceted approach must be taken – one that 1) provides reliable, sustainable and affordable energy to all Alaskans; 2) encourages conservation; and 3) promotes economic development opportunities in the process.

**PROBLEM:** Energy costs are higher than ever and the old supports are no longer having a great enough impact.

- The Power Cost Equalization (PCE) entitlement is currently limited to payments for power costs above a minimum of 12 cents per KWh and less than 52.5 cents per KWh. The current ceiling of 52.5 cents per KWh was set in 1984, 24 years ago. Fuel prices have skyrocketed since then - so that 54 of the 193 communities now eligible for the program are over or within 4 cents of the ceiling.
- Even with PCE, the cost of electricity in PCE communities is on average 38% higher than the ANC/FBX/JNU weighed average.

**SOLUTION: Strengthen the Power Cost Equalization Program by adding more funding & expanding eligibility requirements**

AFN Supports:

- HB 4003, which would provide increased funding for PCE.
- Maximizing assistance to ratepayers, including making schools, health clinics, and businesses eligible.
- Increasing the household limit from 500KWh per month to the national average of 750KWh per household.
- Increasing the current PCE entitlement ceiling.

**PROBLEM:** With the increase in fuel prices in 2008, rural utilities will find it difficult to operate and maintain their power plants, tank farms and distribution lines -- not to mention paying their insurance, interest on their long-term debt, taxes and general administrative costs.

**SOLUTION: Buy down debt of rural utilities and put a price cap on fuel stock purchased prospectively, with a mechanism for reimbursement from the State for costs in excess of the cap.**

AFN Supports:

- A program that would give relief directly to utility companies.
- Capping the price of fuel purchased prospectively by electric utilities.
- Having fuel suppliers charge the utility the mandated price and bill the State for the balance.

**PROBLEM:** Lack of adequate supply of safe fuel storage in rural Alaska.

- Fuel tanks are expensive to buy and maintain -- and they have to meet stringent government environmental regulations.
- Many fuel tanks in the state are not large enough or are in need of upgrades.
- \$211 million is needed to complete the backlog of bulk fuel storage tanks, which are old and not safe; \$198 million is needed to complete small electrical generation upgrades.

**SOLUTION: Increase support for bulk fuel purchasing, transportation and cooperative purchase agreements, and contribute to the Denali Commission's bulk fuel storage program.**

AFN Supports:

- The State stepping up as a true partner with the federal government in funding the Denali Commission bulk fuel storage program.
- The State providing grant funding to create bulk-fuel co-ops that combine purchases for utilities, schools, the state (for state facilities) and private businesses, so that communities, clusters of communities and/or regions can take advantage of the economies of scale.

**PROBLEM:** Rural Alaska residents are experiencing an immediate inability to afford both fuel and other basic necessities.

- Fuel oil prices in some villages have gone as high as \$11 per gallon; and in the winter months, a village home can use four or five 55-gallon drums of oil for heating each month. This equals \$2,000 per home/per month in Arctic Village, \$1,650 in Hughes, and \$1,375 in Iliamna. **People living in remote, rural communities are paying about 41% of their annual incomes on home energy use**, compared to about 4% paid by people living in Anchorage (UAA, ISER)
- The price of heating oil in remote villages is likely to rise from 30 -50% this winter (ADCCED)

**SOLUTION: Provide a family fuel subsidy to help address the immediate crisis.**

AFN Supports:

- HB 4002 - Passage of an energy rebate program.
- Pro-rating the amount of the rebate, based on the cost of living index, to help rural Alaska
- Providing relief to our air carriers (large and small).

**PROBLEM:** Lack of alternatives and opportunities to diversify our state and country's energy resources.

- We need a concerted effort to promote small-scale, self-sustaining energy options in rural areas that decrease dependence on petroleum products, since the base price and transportation cost for petroleum products will only continue to rise.

**SOLUTION: Make a sizable investment in projects that promote renewable/alternative energy and conservation efforts.**

AFN Supports:

- Development of alternative energy resources, including wind, solar & geothermal.
- A minimum \$5 billion investment by the Legislature as capital and seed funding.
- Establishment of regional energy authorities.
- Investing at least \$1 billion in the University of Alaska and other higher education institutions to drive innovation on applied research and development on new energy technologies, ensuring that new technologies meet Arctic conditions and can be scaled down to meet the small, remote communities' needs.