

Resolution of the Alaska Municipal League

Resolution #2022-04

A resolution encouraging the Legislature and State to conduct a timely review and make adjustments to the Power Cost Equalization (PCE) program for communities and utilities that produce the majority of their electric power from renewable energy.

WHEREAS, the stated purpose of the PCE program is to provide benefits to rural communities by lowering the electricity costs paid by customers, which in turn helps to ensure the sustainability of remote economies dependent on available, reliable, and centralized power; and

WHEREAS, the PCE program subsidizes the electric rates for the first 500 monthly, residential kWhs to levels comparable to those paid by consumers in Anchorage, Fairbanks, and Juneau, as well as provides some additional financial support to cover a portion of the electrical costs for community facilities; and

WHEREAS, the PCE program provides benefits to these rural communities based on a formula which is heavily weighed by the cost and quantity of diesel fuel used to produce energy in the communities; and

WHEREAS, some rural communities are increasing the use of renewable energy sources to reduce and/or replace traditional diesel power systems, and now realizing there is a disincentive to do so given the current PCE regulations; and

WHEREAS, as an example, since 2017 the City of King Cove and its residents are not receiving any PCE support because their two hydro facilities are producing about 85% of their annual electric demand of approximately 5 MWhs; and

WHEREAS, decreasing the dependence on diesel-generated power while incurring new debt costs for the development of these renewable energy production does not appear to be equitably considered in the current PCE regulations; and

WHEREAS, PCE regulations allow for an annual depreciation value of up to 50 years on the capital investments/loans for these facilities and the inclusion of annual interest paid on these long term debts, however, this ends up being only a modest annual expenditure "savings" compared to the avoided diesel fuel costs and does not appear to get equitably considered in the current PCE regulations; and,

WHEREAS, AML's current Policy Statement on Energy states "Support for vetting of and investing in energy projects, processes and programs that decrease energy costs; reimburse municipal debt or investments corresponding to and by utilizing PCE savings."

NOW, THEREFORE BE IT RESOLVED that AML supports and advocates for the reform of the PCE program to make the necessary modifications to allow for a more equitable treatment of the annual debt costs for these renewable energy investments vis-a-vis the tradeoff of replacing annual diesel fuel costs; and,

BE IT FURTHER RESOLVED that AML supports and advocates for a "renewable energy debt reimbursement factor" be added to the PCE regulations which includes: a) criteria regarding the size and annual production of the renewable energy facility; b) establish a bench mark for a required annual amount of community/utility electricity produced with renewable energy production; and c) establish a

factor that considers the amount of avoided annual diesel costs resulting from the renewable energy source compared to the annual debt costs to displace these diesel costs.

PASSED AND APPROVED BY THE ALASKA MUNICIPAL LEAGUE ON THE 17TH DAY OF NOVEMBER 2021

Signed: 

President, Alaska Municipal League

Attest: 

Executive Director, Alaska Municipal League