

# The Outlook for PCE

As the New Year begins, we have received word from the State of Alaska that the \$25.2 million appropriated for PCE is not quite enough to fully fund PCE for the rest of this fiscal year. This is because the higher cost of fuel for most utilities has resulted in higher PCE rates, which will drain the appropriation faster than originally expected.

The Alaska Energy Authority has adjusted the PCE rates to 89 percent of full funding, effective with bills for January. The bill you receive next month, in February, will reflect the lower PCE rate. On average, this means that, instead of about 30 cents per kilowatt-hour (kwh), you will receive a credit of about 27 cents a kwh. If you use the maximum eligible 500 kwh, your electric bill will be about \$15 higher for the next six months.

The operating budget Governor Sarah Palin recently submitted to the Alaska Legislature includes \$26,173,000 for PCE for FY08. All of the money comes from the PCE Endowment Fund. This reflects the tremendous value rural Alaska is receiving from the \$183 million that was deposited in the Endowment Fund last October.

If passed by the Legislature—and I see no reason why this wouldn't happen—the \$26 million appropriation should fund PCE at the 98-percent level, based upon 2006 fuel costs. If fuel costs stay where they are right now, at the end of the year, we may actually see an over-funding of PCE and will have some funds to carry forward to the next year. It's been a long time since we have had that happy situation!

## Kivalina Erosion Update

In the fall of 2005, Kivalina (80 miles northwest of Kotzebue) lost a significant amount of beach during the October storms, resulting in a major threat to several structures close to the water's edge. This included AVEC's tank farm and, in fact, we actually had our staff build a new containment area adjoining the existing tank farm and move the three outer-most tanks to that area.

Last summer, the Northwest Arctic Borough built a \$3 million temporary seawall to protect the south edge of the community from the encroaching Chukchi Sea. Unfortunately, that seawall proved unequal to the challenges posed by Mother Nature, and the wall started failing in late September.

Following a meeting of some 50 community leaders and agencies in Anchorage during AFN 2006, the U.S. Coast Guard strongly suggested AVEC and the community of Kivalina be prepared to respond to a major oil spill in the future. AVEC pursued emergency funding from the state to stockpile \$130,000 worth of oil spill response materials—including two 20,000-gallon fuel bladders—in Kivalina. These are being assembled now and will soon be stored in two connexes donated by Red Dog, Inc.

It is another example of how, by working together, we can make things happen!

Until next time,



**Meera Kohler**  
President and CEO



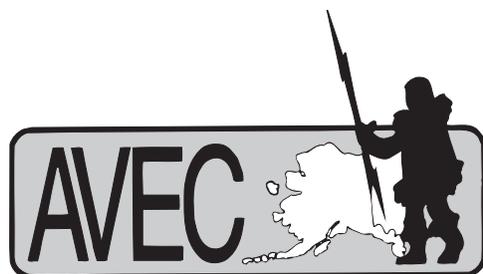
Meera Kohler, President & CEO

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