

AVEC's Fuel Relief Suggestion

Last month, the Anchorage Daily News published an excellent article about the rural fuel crisis and a suggestion from our cooperative for an alternative approach to bring short-term relief to Alaskans from today's stifling cost of energy.

Two days later, the Daily News opined that AVEC's suggestion would be "an economic disaster." This editorial was a disservice to AVEC's 53 communities and to other rural communities being crushed by today's high—and rapidly rising—fuel costs. Diesel subsidized to \$1.40 a gallon, as we have proposed, is a bargain compared with today's prices. In 2002, we were paying \$1.29. Five years ago, our annual fuel bill was \$6 million. On one day in June, crude oil enjoyed its best day ever—gaining a spectacular \$10.75 to \$138.54 a barrel. AVEC probably will need to spend \$30 million to keep the lights on for 40 percent of Alaska's village population.

Even with that subsidy, the cost of energy needed to produce our electricity would be twice as high as most other Alaskans enjoy.

Seventy-five percent of Alaskans receive electricity from a utility whose fuel costs less than \$5 per million British Thermal Units (Btu)—a measure of the energy in a fuel source. Some fortunate Alaskans live in communities that get electricity from cheap hydropower. They include Juneau, Sitka, Ketchikan, Craig, Wrangell, Petersburg and Metlakatla. Other communities, such as Valdez, Cordova and Kodiak get 70 to 90 percent of their power from hydro.

The Anchorage area utilities get some of their power from hydro, but most of it is from natural gas at a blended cost of somewhere around \$3.50 per million Btu. With our proposal, diesel would cost \$1.40 a gallon, which is \$10 per million Btu.

The other 25 percent of Alaskans are on diesel and a little coal. This is because alternatives such as natural gas or hydro are unavailable or not feasible for the small loads most of these communities represent. Where there are alternatives, we're already on it.

AVEC has wind systems in Selawik, Toksook Bay and Kasigluk. These systems are expensive and technically complex. In most cases, they can only displace 15 percent to 30 percent of diesel powered electricity. So diesel will be the primary power source for the foreseeable future, no matter how much the pundits who have never been inside a power plant may pontificate about harnessing local, renewable resources for energy.

At \$1.40 a gallon for our diesel fuel, electricity will still cost about 40 cents a kilowatt-hour (kWh). It is unclear to me why the Daily News believes that 40 cent power will "stoke demand." People point to Juneau, where consumers were able to reduce demand by more than 30 percent when their electric bills skyrocketed to 54 cents a kWh last month. If our consumers enjoyed Juneau's 11-cent electricity, they, too, would heat their homes and water with electricity and use clothes dryers and other electricity hogs.

AVEC consumers survive on less than 400 kWh a month on average, and they typically use high-efficiency stand-alone heaters for heat. They also use one-third or less of the gasoline that a typical urban Alaskan uses.

The governor's energy relief plan proposes to reduce the cost of every retail kWh of electricity in Alaska by 60 percent. Downtown Anchorage's 8 cent electricity would drop to 3.2 cents. One of my Ambler residents would see his electricity drop from 88 cents (50 cents after power cost equalization) to 35 cents.

Every permanent fund dividend recipient would receive \$100 a month for energy bills under the governor's proposal. That's nice. My neighbor with his four kids would receive \$600 a month to pay his monthly electric, natural gas and gasoline bill with money to spare. A couple in the village with two kids would be able to pay for electricity and a portion of the heating bill and nothing for the \$6-per-gallon gasoline they need for basic subsistence activities.

This isn't a fair world and I don't expect that it ever will be. But I think that, as the state is raking in everheftier revenues from oil production, they should make it possible for every Alaskan to survive these tough times.



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