

## Good News, Bad News

On November 19, Alaska North Slope crude oil sold for just more than \$49 a barrel. If that price holds, Alaska's revenue picture will take a drastic hit, although the cost of fuel for AVEC operations next year should also see a dramatic decrease.

That is the good news and the bad news.

The average price we paid for a gallon of diesel fuel in 2008 was \$4.55. The Regulatory Commission approved our fuel charge and revised PCE rates in early November, so our consumers will see the impact of the high fuel cost for electricity they use between October 1, 2008, and September 30, 2009.

The special legislative session in August set allowable PCE costs at \$1 per kilowatt-hour (kWh) for the period October 1, 2008, through June 30, 2009. This means that, unless the legislature extends the higher cost ceiling for another three months, the ceiling will drop back down to 52.5 cents a kWh on July 1, 2009, and our residential and community facility consumers will see a very significant increase in their electric bills. I will keep you informed as winter progresses so we can marshal our forces to stave off the effects of the continuing energy crisis in rural Alaska.

The Alaska Municipal League met recently and adopted a resolution supporting expansion of the PCE program to include schools and clinics in the program. AVEC believes clinics are already eligible to participate and will support their universal inclusion.

We also believe the state should separate energy costs out of the school funding formula and cover those costs at actual cost, wherever the schools might be in our state. Enrolling schools in the PCE program for all the electricity they consume could potentially drive the cost of the program up by 50 percent or more, and would require the endowment fund be built up by at least another \$200 million. At the very least, it would make funding of PCE an annual legislative challenge as it was until a few years ago, when we were successful in winning full funding of the endowment fund.

AVEC consumers and other rural electric customers are reeling this month from higher electric bills as this year's fuel costs appear on the bill. Our average fuel charge per kWh went up by 13 cents from last year—from 24 cents to 37 cents. That is in addition to our nonfuel energy charge of 32 cents for the first 700 kWh and 22 cents for anything over that. And, of course, consumers are paying 30 percent to 40 percent more for heating fuel than they did last year.

AVEC is collaborating with several Alaskan partners to produce an energy-efficiency guidebook for rural Alaskans. We hope to have the publication ready within a few weeks and sent by mail to every rural Alaskan household. Please look at it and use it!

I wish for you and yours a warm and safe winter and a very Merry Christmas.



Meera Kohler  
President & CEO



Meera Kohler, President & CEO

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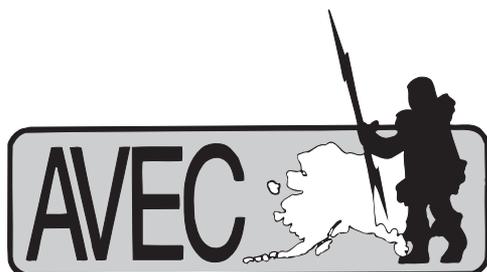
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