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**Communities Served**

- |                |                 |
|----------------|-----------------|
| Alakanuk       | Nightmute       |
| Ambler         | Noatak          |
| Andreafsky     | Noorvik         |
| Anvik          | Nulato          |
| Brevig Mission | Nunapitchuk     |
| Chevak         | Old Harbor      |
| Eek            | Pilot Station   |
| Elim           | Pitkas Point    |
| Emmonak        | Quinhagak       |
| Gambell        | Russian Mission |
| Goodnews Bay   | St. Mary's      |
| Grayling       | St. Michael     |
| Holy Cross     | Savoonga        |
| Hooper Bay     | Scammon Bay     |
| Huslia         | Selawik         |
| Kaltag         | Shageluk        |
| Kasigluk       | Shaktoolik      |
| Kiana          | Shishmaref      |
| Kivalina       | Shungnak        |
| Kotlik         | Stebbins        |
| Koyuk          | Teller          |
| Lower Kalskag  | Togiak          |
| Marshall       | Toksook Bay     |
| Mekoryuk       | Tununak         |
| Minto          | Upper Kalskag   |
| Mt. Village    | Wales           |
| New Stuyahok   |                 |



**Alaska Village Electric  
Cooperative, Inc.**

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AK-105

## Fuel Rate Changes Depend on RCA

You may have noticed the bill you received a couple of weeks ago had a different fuel charge than previous bills. That is because we submitted our fuel cost filing for 2009 to the Regulatory Commission of Alaska (RCA), which approved new PCE rates October 15 for all AVEC villages.

As you know, diesel fuel was less expensive in 2009 than it was in 2008. Many of you have asked why electric rates did not go down as soon as we started receiving fuel. That is because we are not allowed to reduce the electric rate until the RCA has reviewed the rate and made similar changes to the PCE rate.

To illustrate an example, if the electric rate (nonfuel plus fuel) were 65 cents a kilowatt-hour (kWh), the PCE rate for a residential consumer would be about 45 cents a kWh. If we were to reduce the fuel rate by 15 cents, that would make the kWh rate 50 cents. With 45 cents PCE, the consumer would effectively pay only 5 cents a kWh. This would be a violation of state law. The opposite occurred last year when we experienced catastrophically higher fuel costs than in 2007. The fuel charge did not go up until the October bills that were mailed in November.

Because of this complicated process to change electric rates, we are always in a "catch up" situation with fuel costs. Our fuel expense rises or falls immediately as the cost of fuel changes. However, since rates take several months to catch up, we will either under-collect or over-collect fuel revenue, depending on which way fuel costs have changed.

In 2008, we under-collected by more than \$1 million. Fuel rates were changed to collect that plus the new fuel cost during the next 12 months. When costs started to go down in June 2009, we began over-collecting fuel and, by September we over-collected by almost \$1 million.

This over-collection, coupled with fuel cost (on average) of about \$1 per gallon less than last year, has resulted in fuel cost decreases of as much as 26 cents a kWh in Ambler, which was able to receive most of this year's fuel by barge, instead of air delivery.

The average AVEC village will see lower rates of about 15 cents a kWh. Unfortunately, not every village will see a rate decrease. The cost to fly fuel into Noatak this year was more than it was last year, so they saw an increase of about 12 cents last month.

The fuel cost charge is a complicated issue, but I wanted to try to shed a little light on it. We pushed very hard to get our fuel filing delivered a month early this year so our revenue would be lower. Thankfully, the RCA staff juggled its extremely busy schedule to review our filing and, as a result, our September revenue is \$650,000 less than it would have been under the old fuel rates.

Please don't hesitate to call or write if you have questions about our rates or anything else at your electric cooperative. And be sure to attend your village annual meeting. Packages were mailed to all chairpersons last month, and they should be setting up meetings soon.

There will be more attractive door prizes for this year's village meetings. Each village will have \$250 in cash prizes in addition to giveaways for most, if not all, attendees. Every member attending a certified village meeting also receives a \$20 credit on their electric bill.

Until next time,

**Meera Kohler**  
President and CEO