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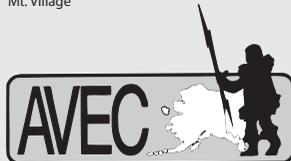
Robert L. Beans Sr.,  
Mountain Village

Peter Demoski, Nulato

Fred Sagoonick, Shaktoolik

**Communities Served**

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



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## The Outlook for Energy Costs in Rural Alaska in 2013

About 55,000 Alaskans live in some 200 villages spread across more than 500,000 square miles. 22,000 of those live in one of 55 villages served by AVEC. Sadly, our villages suffer from some of the highest cost of living anywhere in the United States. What is AVEC doing about it?

A study recently completed by Commonwealth North—a policy “think tank” established by Govs. Bill Egan and Wally Hickel—found that one in five rural households spends almost half its annual income on home energy. This is three times what they spent 10 years earlier and has been driven by the enormous increase in the world price of petroleum.

AVEC has been an aggressive leader in the battle to combat the high cost of energy. What have we done?

- We have reduced our nonfuel expenses in the past 10 years. As a result, we reduced our rates by 2 cents a kilowatt-hour, resulting in a reduction of income of \$1.5 million annually.
- We have added several villages in the past few years: Teller, Kotlik, Ekwok and Kobuk. Adding villages allows us to spread our fixed costs over more kilowatt-hour sales.
- We have installed wind turbines; our 34 machines are the largest fleet in the state. Five percent of our generation came from wind in 2011.
- We invested in two sets of tugs and barges and contracted with Vitus Marine to operate them. This reduced our cost of fuel transportation by about 20 cents a gallon, which is about 1.6 cents per kWh. This is savings passed on entirely to our consumers.
- Competition in the fuel delivery market translates to lower delivered fuel costs to everyone in rural Alaska.
- We have presented the Commonwealth North report to thousands of Alaskans in

urban and rural Alaska, urging the development and implementation of an energy plan that reduces costs for all Alaskans.

- We are spearheading an “All Alaska Energy Project” that would develop large-scale, gas-fired generation on the North Slope and a robust transmission system to deliver low-cost power to urban and rural hubs, fish processors, military bases, mines and other resource developers. Since heat and electricity comprise 80-plus percent of a homeowner’s energy budget, addressing these costs, while supporting job creation, would be a huge step toward self-sufficiency and sustainability in rural Alaska.

So what is the outlook for 2013?

In 2012, the average cost of a gallon of diesel delivered to our tank farms was \$4.03, resulting in an average fuel charge of 32 cents in addition to the average nonfuel rate of 25 cents a kWh. The fuel charge is lowest at Quinhagak at 22.3 cents a gallon. In Noatak, where fuel must be flown in, the fuel charge is 57.4 cents. Fortunately, Power Cost Equalization lowers the cost to the homeowner to about 20 cents per kWh, but more than half the kWh used in our villages do not get PCE.

We expect the cost of fuel to stay about the same in 2013 as in 2012—perhaps even a bit lower. We do not see any significant relief to the cost of heating homes and businesses in our villages, and we expect the cost of electricity to be largely unchanged.

We will continue to press for significant changes in how the state develops an energy plan for the entire state. We will press for fair and equitable treatment of all Alaskans.

**Meera Kohler,**  
**President and CEO**