

What is the “Fuel Cost Charge” on my bill?

Alaska Village Electric Cooperative (AVEC) generates 95% of the power it sells from diesel fuel. AVEC continues to integrate wind and solar generation into our energy systems but they still account for only a small part for total generation. In 2024 AVEC consumed more than 9.2 million gallons of diesel fuel to generate electricity for its members. Every AVEC power plant has fuel tanks to store diesel fuel. Most communities have bulk fuel storage which allows one or two large deliveries to provide enough fuel for the whole year, other smaller tank farms rely on many deliveries, sometimes many deliveries a week.

The cost of fuel and the efficiency of the power system is what determines the “Fuel Cost Charge” on your monthly bill. AVEC tracks efficiency, or how many kilowatt-hours (kWh) of electricity are sold for each gallon of diesel fuel burned. Then we figure out how much to charge per kWh to pay for the fuel used to generate power. There is no mark-up on the fuel, it is a direct pass through cost. The fuel charge typically accounts for half (or more) of the cost of electricity. The cost of fuel can vary widely by location, depending heavily on how much it costs to transport and deliver to the facility.

AVEC rates consist of three parts. There is a fixed monthly customer charge, the fuel charge described above, and the non-fuel “energy” charge that helps pay for everything else. For “Small Power” service the fixed customer charge is \$20 per month. The service charge is higher for “Large Power”, but only Small Power is discussed here. Almost 80 percent of AVEC services are Small Power, which includes all residential and most commercial customers.

For every community except Bethel and Yakutat, the energy charge for Small Power is \$0.3482 per kilowatt-hour (kWh) for the first 750 kWh per month and \$0.2321 for any kWh used above 750 kWh per month. The energy charge covers all of AVEC’s non-fuel costs, including power plant operations, lubricating oil, depreciation, insurance, distribution system operations, generator overhauls, administration, debt service, collections, labor, transportation, lodging, equipment rental, lease payments, everything that is not fuel.

When you get your electric bill you will typically see four lines on the bill. The fourth line is a credit from the Power Cost Equalization (PCE) program. Most residential and community buildings qualify for PCE. Commercial and industrial services do not.

Using the most recent fuel cost for Koyuk (\$0.3339/ kWh) we can calculate what a typical residential bill would be for a member using 400 kWh per month:

Customer Charge	\$20.00
Energy Charge (400 kWh x 0.3482)	139.28
Fuel Charge (400 kWh x 0.3339)	133.56
PCE (400 x 0.4350) (credit)	(174.00)
Total Bill	\$118.88

*Cost of Fuel Used to
Generate Power Used*