

Rural Alaska electric utilities stricken by fuel prices

VILLAGERS AGHAST: Some say they can't afford to stay any longer; help from state seen as only quick solution.

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Village electric utilities in rural Alaska, panicked over the sky-high cost of fuel arriving on the summer's first barges, are appealing to the state for help.

The fuel bill for the Alaska Village Electric Cooperative, which serves 53 small villages in the west of the state, is leaping from \$14 million last year to \$26 million. That cost will be reflected in electricity rate increases that some villagers cannot afford, said Meera Kohler, the co-op's president.

In the village of Eek, for example, residents are looking at electric bills increasing another one-third to one-half. Eek, near the mouth of the Kuskokwim River, has an average household income of only \$17,500, according to the federal census. Many families already have a hard time paying electric bills that run to \$300 a month, said city clerk Fritz Petluska.

"There's quite a few families that designate one of their Permanent Fund checks to AVEC," Petluska said. "I think in most villages, that's what's going on."

In the middle-Yukon village of Ruby, a non-AVEC village with some of the most expensive power in Alaska, some families pay \$900 a month for electricity, said tribal administrator Pat Sweetsir. They're the low-income villagers who live in federal HUD houses, with heat tapes on the pipes and electric stoves, he said.

And that was the price of electricity when they were burning last winter's diesel. Now that the season's first fuel barge has unloaded, the price of diesel just jumped \$3 to \$7.50 a gallon, Sweetsir said.

"They're just up against the wall," he said. "People are talking about moving to town."

On May 23, the AVEC co-op board declared a fuel emergency.

"It's simply incomprehensible," Kohler said. Residents get hit badly, even with an existing state subsidy, she said. And that subsidy isn't available to the village store. "What's going to happen to the businesses and the cities? It's going to be a

huge hit for them -- at least double or triple what they've been paying."

Gov. Sarah Palin's recent offer of statewide energy assistance, while appreciated, doesn't provide the immediate aid that rural utilities need, Kohler said.

PALIN'S ENERGY PLAN

Kohler wrote Palin last week, asking the governor to scrap her new energy debit-card idea in favor of a new plan that would directly subsidize the cost of fuel, both for utilities and individual consumers.

The AVEC plan would drop the price of diesel for utilities to around \$1.40. That's still about two-and-a-half times more money than Chugach Electric pays to generate electricity, Kohler said.

The proposal also calls for a subsidy paid to gasoline suppliers, with consumers prices at the pump held to an artificially low price of around \$1.80 a gallon.

Such a plan would share the windfall of Alaska's high oil-tax income to both urban and rural residents and be simpler to manage than the governor's proposed debit-card system, Kohler said.

The Palin administration is modifying its plan and will consider the AVEC suggestions along with others, said state energy coordinator Steve Haagenson. Palin wants lawmakers to approve her plan so assistance will be available by the fall.

Reaction around the state so far to the Palin plan has been strongly positive from rural Alaska and less positive in nonrural areas, where the sense of crisis is less strong, Haagenson said.

"We're going to try to find something that's fair to all Alaskans," he said. "My biggest concern is about the village economies. The cost is increasing so fast that all their disposable income is gone. They're down to survival mode."

The AVEC idea will also be discussed this week at a meeting of the Alaska Power Association managers' forum. The group has already said it likes Palin's plan, but the rural utilities have different needs, said Jim Posey, manager of Anchorage's Municipal Light and Power and chairman of the statewide forum.

"We're going to weigh in to help the rural areas," Posey said. "This is not about handouts. This (cost increase) is driving businesses out and driving people out of the communities."

A direct subsidy to fuel suppliers would solve a cash-flow problem and give immediate help to the cash-strapped utilities, Kohler said. That's preferable to the governor's plan, which would provide a 60 percent rate subsidy to utilities, but

only after a lengthy regulatory process to approve new rates, Kohler said.

The proposed fuel subsidy would kick in only when power-generation costs reach a certain level. That means Railbelt consumers, who receive cheaper electricity from natural gas and hydro, would not see a change in their electric bills.

But everyone would benefit from the other half of the AVEC proposal, which would pay similar subsidies to fuel providers to bring down the cost of gasoline at the pump.

RURAL SUBSIDY

As welcome as \$1.70 signs would be at gas stations, however, they would surely be controversial among advocates of fuel conservation. Haagenson said one strong criticism leveled already at the Palin proposal is that the debit cards would promote more consumption of oil products.

Kohler estimated the cost of AVEC's proposal for utility subsidy at \$320 million. She did not have an estimate of the cost of the gasoline subsidy. Palin has proposed to spend \$1.2 billion on utility assistance and its \$100-a-month debit cards for energy assistance.

The state already has one subsidy program for rural electricity, known as the Power Cost Equalization program. But it's not built to keep up with the current rise in prices.

The PCE program was created when the state was pouring hundreds of millions of dollars into hydro projects and transmission lines to serve urban Alaska. The Legislature provided \$28 million for the rural program in the coming year.

PCE provides a partial subsidy for residential power until the cost rises above 52.5 cents per kilowatt hour. Above that, consumers pay all of the additional cost. Since rural prices are already at or near that threshold, the rate increases from this year's fuel price hikes will be borne fully by consumers, without further help from PCE.

In Ruby, for example, PCE pays 17 cents out of the total cost per kilowatt hour of 94 cents. That compares to 9 to 13 cents paid by Anchorage consumers without the subsidy. And the Ruby price is about to go higher, with the new fuel costs.

"It's going to go over a dollar, easy," said Sweetsir.

The long-range hope is to develop alternative energy sources and other means of driving down the cost of delivering rural power, Haagenson said.

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