

The Impact of High Fuel Cost

I wish I had something more pleasant to discuss for this, our Christmas issue of Ruralite, but unfortunately, the pressing issue of the day is the high cost of the fuel charge that you see on your electric bills.

The electric bills sent in mid-November for October's electricity usage reflected the new fuel charge approved by the Regulatory Commission of Alaska a few days earlier. It's a complicated process, but I will try and lay out how the electric bill comes together.

AVEC's electric bill consists of three parts. The consumer charge is a fixed amount—\$5 for residential users—that covers the basic installed cost of the electric meter and distribution system. The energy charge is 32 cents a kilowatt-hour (kWh) for the first 700 kWh and 22 cents for anything over 700 kWh. This covers the cost of power plant and distribution system operations and maintenance, insurance, administration, billing and collections, engineering, depreciation—which essentially pays for new construction—and so on. The third part is the fuel charge, which reflects the actual cost of fuel consumed to produce each kWh in each village.

The consumer and energy charges have not changed in many years. Despite the increased cost of living and especially transportation costs, AVEC has continued to cut costs every year to absorb cost increases, while keeping rates unchanged.

Unfortunately, we simply are unable to do anything about the skyrocketing cost of diesel fuel. You have all seen firsthand the impact of the rising cost of oil in your everyday lives. Gasoline and heating oil have jumped by more than \$2 a gallon in most communities and by as much as \$3 to \$4 in some. Here at AVEC, we have seen the average cost of our diesel fuel go from \$1.30 a gallon just five years ago to \$2.90 this year. Our 2007 fuel is an average of 64 cents a gallon more than in 2006.

The bill you received last month reflected the cost of fuel in your community. The biggest increase was in Ambler, where fuel went up by \$1.74 a gallon, mainly because all of their fuel had to be flown in this year since the barge was unable to deliver fuel by river.

Unfortunately, in many of our villages and in a growing number of villages across the state, the enormous increase in the cost of fuel is causing electric rates to go so high that PCE is essentially "maxed out." What this means is that, when the cost of power is above 52 cents a kWh, all costs above that level are excluded from the PCE calculation. That means that 100 percent of the cost increase is paid by the electric consumer. Nine of our villages are now at the maximum PCE level.

In the not-so-bad-news side, the cost of fuel actually went down in 11 AVEC villages. The decreases were modest, but any decrease is better than an increase! In such a situation, the residential consumer sees little impact, because PCE goes down by 95 percent of the cost decrease, but commercial consumers see 100 percent of the decrease in lower electric bills. That is because commercial consumers receive no PCE.

I hope this sheds a little light on why your fuel charge changes every year. Don't hesitate to contact me or Georgia Shaw, our Member Services manager, if you have any questions about your electric account.

And remember, hang a few strings of those little LED lights on your Christmas tree. They use 4 percent of the electricity that regular lights use, and don't emit any heat. So not only will your electric bill be lower, you can worry less about starting an accidental fire.

Happy holidays to every one of you!



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