

Testimony before House Finance Committee re HB2002

Honorable chairs Foster and Merrick and members of the committee:

My name is Meera Kohler. I am the recently retired CEO of Alaska Village Electric Cooperative and continue to represent them on PCE matters. I have been a player in this program since its inception in 1984. AVEC's communities receive about 40% of all PCE payments.

Many years ago, the PCE program was chronically underfunded and for a decade and a half saw appropriations that forced reductions to the PCE rates of 25% or more. That was remedied when the PCE Endowment Fund was established in 2000, which was followed by funding appropriations fully supported by the legislature.

Once the endowment achieved full funding 12 years later, the annual legislative battle to procure funds for PCE receded, since funding for the program now came from the dedicated fund created for that purpose.

Until two years ago, the PCE Endowment Fund had not been jeopardized by the annual sweep that reverted various accounts to the CBR and indeed the legislature had never failed to enact a reverse sweep to undo that process. In 2019, the administration applied the sweep to the PCE fund as well as others that had not previously been swept. Sweeping the fund removed the funding source for PCE and forced the Regulatory Commission to reset all PCE rates to zero.

It was a terrible time for rural Alaska. While PCE covers only 17% of the cost of providing electricity across the eligible communities, it represents about 40% of the electric bill for residential consumers and 55% of the bill for community facilities like water and sewer plants and other critical basic infrastructure. Utilities had to either suspend issuing PCE credits or take the risk of continuing to post them while not knowing if they would be reimbursed or if they might be denied altogether since the program had been defunded and no one knew if payments would be retroactively applied.

Selawik's washeteria, for example, used 25,000 kWh last December. Without PCE, their bill would have been \$11,500. After PCE, it was \$5,300. Communities with very limited revenue sources can't afford to lose PCE. Most would have to cut basic services drastically or lay off the few employees they have to cover such cost increases.

The state has released a list of programs that would be shut down should the legislature not pass the budget. PCE payments will cease on July 1. That means that credits that utilities issued for the month of June will not be reimbursed. For AVEC, that means a million dollars that they will have to carry as a loan to the state. And another million dollars a month if they decide to take a chance and continue providing the credits because they know their customers can't afford a full bill of 55+ cents a kWh.

I urge you to adopt HB2002 and to take action to prevent the loss of the PCE Endowment Fund into the Constitutional Budget Reserve.