

# The Kilowatt COURIER

August 2017



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## WHY ELECTRIC RATES DIFFER ALONG THE RAILBELT

Alaska is diverse and unique in many ways, including its consumption and pricing of electricity. There are large regional differences in electric consumption and prices that result from proximity to different types and quantities of resources.

Six utilities comprise the Railbelt electric grid which service areas from Fairbanks to Anchorage and the Kenai Peninsula. These utilities are Golden Valley Electric Association (GVEA), Chugach Electric Association (CEA), Matanuska Electric Association (MEA), Anchorage Municipal Light & Power (ML&P), the City of Seward Electric Systems (SES), and Homer Electric Association (HEA). Sixty-five percent of Alaskan population lies with the Railbelt region.

The southern portion of the Railbelt - Mat-Su Valley, Anchorage, and the Kenai Peninsula - are highly dependent on natural gas as a source of electricity. The northern portion of the Railbelt, including Fairbanks and other communities in the Interior, relies on petroleum fuels in addition to natural gas, coal and hydroelectric imports from the south.

### Why are HEA rates different than those in Anchorage?

For one, it is **not** comparing "apples to apples." Differences in geographic scope and **population density** influence the costs along the Railbelt. The urban areas in the Railbelt benefit from **greater economies of scale** while HEA and GVEA have increased travel time, remote meter locations, multiple service centers (HEA has two service centers and GVEA has three) and the associated costs spread over fewer members. The fixed costs associated with running a utility are large. If the number of customers and/or levels of consumption are small, then these costs must be supported by fewer customers and kilowatt hours. Palmer (Mat-Su area) has the highest electric consumption levels while Homer has the lowest consumption levels. Average residential rates range from 18 cents/kWh in Anchorage to 25 cents/kWh in Fairbanks.



Below is a table comparing five of the Railbelt utilities' bill totals during the 2nd quarter 2017 based on 680 kWh usage. As you can see, the cost per kWh is relative to the number of members in each utility, spread over the miles of energized line, who share in the cost. 📊

### Not comparing apples to apples.....

	CEA	ML&P	MEA	GVEA	HEA
Monthly Facilities Charge	\$8.00	\$6.56	\$5.65	\$17.50	\$20.00
Energy Charge	\$0.11832	\$0.14738	\$0.12556	\$0.11631	\$0.14866
Cost of Power Adjustment (COPA)	\$0.05900	\$0.07666	\$0.06500	\$0.10857	\$0.06865
Regulatory Cost Charge (RCC)	\$0.000675	\$0.000675	\$0.000675	\$0.000675	\$0.000675
Total Charge (per kWh)	\$0.177995	\$0.224715	\$0.191235	\$0.225555	\$0.217985
Example Monthly Bill	\$129.04	\$159.37	\$135.69	\$170.88	\$168.23
Rate per kWh	\$0.1898	\$0.2344	\$0.1995	\$0.2513	\$0.2474
Members	80,558	31,287	63,577	34,837	23,494
Miles of Line	2,153	442	4,401	3,229	2,413
Members per Mile of Line	37	70	14	10	10

## CFA ENDORSES COMMUNITY SOLAR

As more U.S. consumers consider investing in solar energy, a new report from the Consumer Federation of America (CFA) makes the case for community solar. As photovoltaic (PV) solar panels have dropped in price, more homeowners are installing them either on their roof or ground-mounting them on their property. In 2013, some 100,000 homeowners in the United States had installed solar panels; eighteen months later, that number had quadrupled to 400,000.

But nearly half of U.S. households have homes not suitable for residential solar, either because they rent or own a condo or co-op, or because their houses lack adequate sunlight or the right type of roof.

By comparison, community solar, also known as shared solar, is available to anyone who wants to invest.

Naturally, this form of local, home-grown power varies from place to place. Some projects sell or lease the panels; others sell or lease electricity generated by the array in "power blocks." Co-op's power suppliers develop some projects. In other cases, third-party developers take the lead.

What all community solar projects have in common is a model that allows anyone to participate and share the benefits, as well as the costs.

**HIDDEN ACCOUNT NUMBERS**  
 Three randomly chosen italicized account numbers are hidden in the Kilowatt Courier.  
 If you find YOUR account number, call 235-3338 and you'll receive a \$50 credit which will be reflected on your next bill. Thanks for reading!

## CURRENT RESIDENTIAL RATES

As of July 1, 2017

All Residential Customers  
 Energy charge = 14.866 cents/kWh  
 Customer charge = \$20.00  
 System delivery charge = \$22.30\*  
 (\*If usage is less than 150 kWh)

Cost of Power Adjustment (COPA)  
 7.205 cents per kWh\*  
 (\*Subject to change on a quarterly basis and upon RCA approval.)  
 33358001

See [www.homerelectric.com](http://www.homerelectric.com) for the latest residential and commercial rates.

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## AUGUST 2017 KILOWATT COURIER

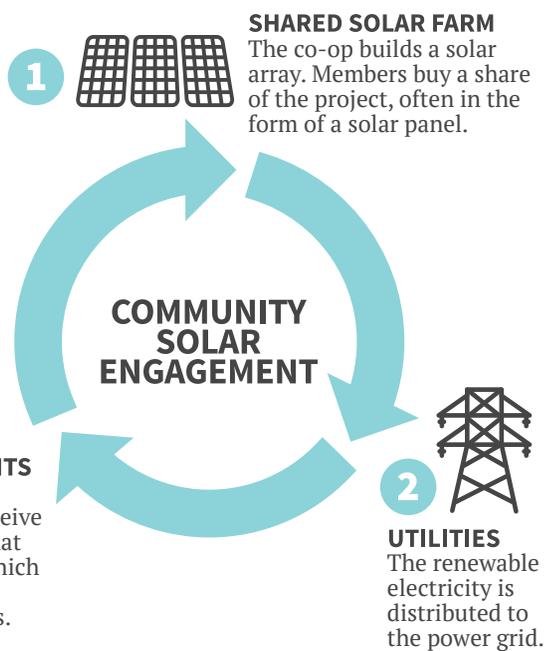
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## HOW COMMUNITY SOLAR WORKS



### The CFA research identifies several benefits of this model for consumers.

1. Larger, centralized community arrays can benefit from economies of scale, producing power that is less costly than electricity from individual rooftop solar arrays. According to the MIT Energy Initiative, "the per-kWh cost of electricity generated by residential PV is much higher than that from utility-scale plants."
2. In a community solar project, the utility or developer is responsible for the installation and maintenance of the solar panels, not the consumers.
3. The community-owned model eliminates some of the difficulties that arise when consumers without residential arrays end up paying more of the

Source: Shelton Group, Inc.

utility's basic infrastructure and maintenance costs.

The numbers back up CFA's assessment. Electric co-ops in 39 states have community solar projects that are already online or in the planning stages.

An explanation for this growth isn't hard to find. Electric co-ops embrace a business model that is open to participation by all members. For co-ops, locally-sourced, at-cost community power just makes sense. Stay tuned as Homer Electric explores the possibilities and feasibility of working with developers who would build a solar project. The cooperative would, therefore, contract to receive the power produced from it to add to its diversified power portfolio. 🌱

## MONTHLY FINANCIAL UPDATE

Homer Electric finished the month of May 2017 with a total asset base of \$239.3 million. Operating revenue for the year was \$42.2 million and total costs were \$38.9 million bringing net operating margins to \$3.3 million through May 31, 2017. This chart is a breakdown of key financial indicators for 2017 as compared to 2016. 📊

Year to Date	May 31, 2017	May 31, 2016
Operating Revenue	\$42.2 million	\$38.1 million
Cost of Purchased Power	\$26.2 million	\$25.0 million
Cost of Electric Service	\$12.7 million	\$12.3 million
Operating Margins	\$3.3 million	\$0.8 million
Total Kilowatt Hours Sold	202.1 million	182.1 million
Total Number of Meters	33,776	33,566