



DIVISION OF COMMUNITY AND REGIONAL AFFAIRS REPORT TO SOUTHEAST ALASKA NATIVE SUMMIT

CURRENT COMMUNITY CONDITIONS: FUEL PRICES ACROSS SOUTHEAST NOVEMBER 2005 - OCTOBER 2008 SUMMARY

INTRODUCTION

Retail fuel prices have continued to climb across Alaska. Increased energy prices have benefitted the State of Alaska through increased treasury revenues; however, households, small businesses, and communities have been under extreme duress. Similar to other Alaska regions, Southeast communities are experiencing the direct and indirect impacts of increased fuel costs including increased transportation costs, energy expenses, and cost of living expenses.

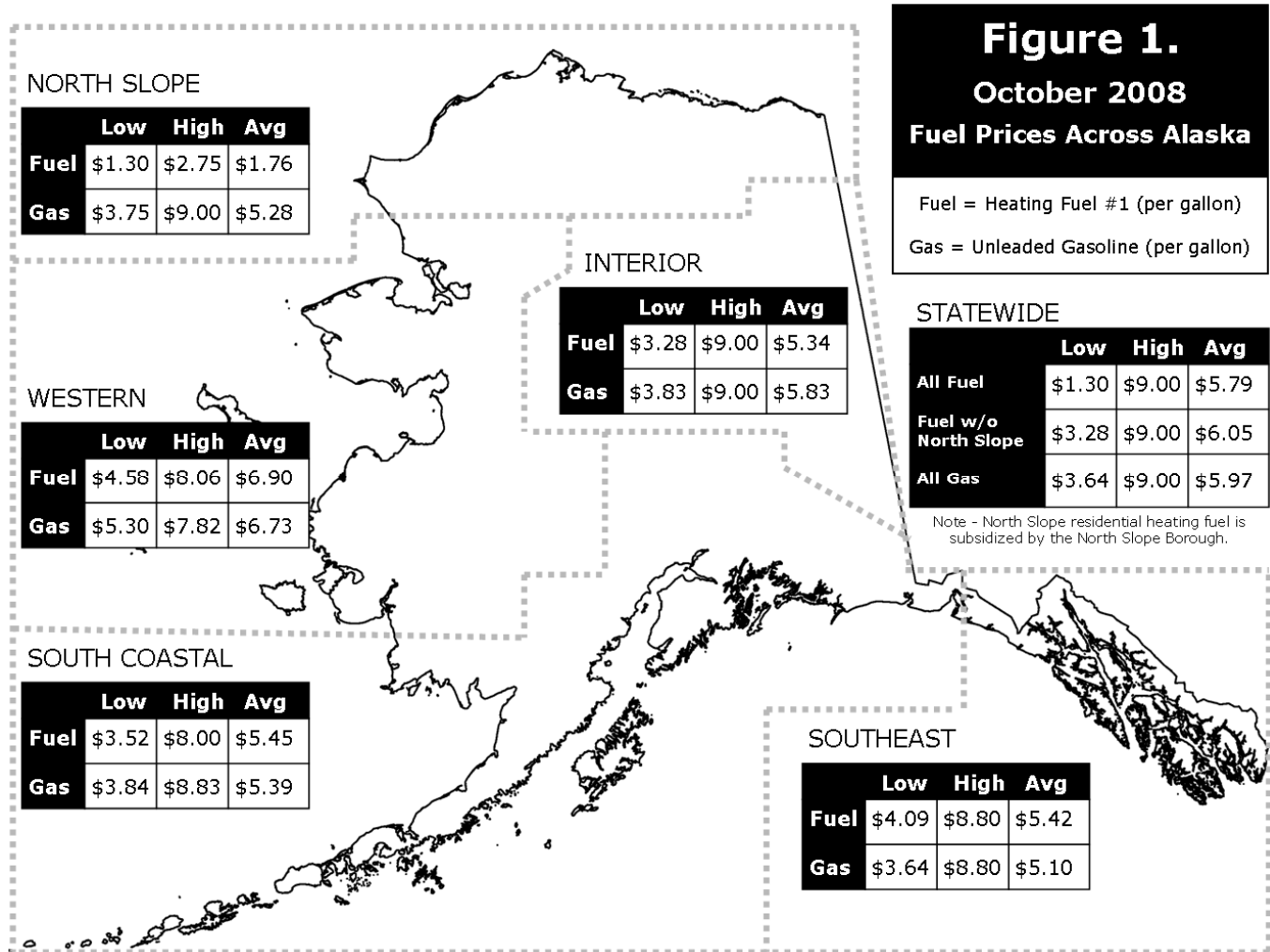
Since November 2005, the Division of Community and Regional Affairs (DCRA) has conducted a biannual statewide telephone survey of retail heating fuel (#1) and gasoline prices in a cross-section of 100 select Alaska communities. This survey is generally conducted during June and November. A supplemental survey was conducted during October 13 – 16 to collect October 2008 data included in this report. Communities are strategically selected to represent differing socioeconomic conditions and all Alaska regions including the Interior, North Slope, South Coastal, Southeast, and Western Regions.

This report, *Current Community Conditions: Fuel Prices Across Southeast, November 2005 – October 2008 Summary*, summarizes current statewide retail heating fuel (#1) and gasoline prices, compares current and historical Southeast fuel prices to other Alaska regions, and details current fuel prices across eleven Southeast Alaska communities. Survey results are one-time measurements and representative of retail fuel prices on the particular day of contact.

OCTOBER 2008: FUEL PRICES ACROSS ALASKA

October 2008 heating fuel (#1) per gallon retail prices vary across Alaska by region. Western Alaska communities report the highest average heating fuel retail price at \$6.90 per gallon while North Slope communities report the lowest average retail price at \$1.76 per gallon (Figure 1). Of noteworthy importance, the North Slope Borough provides free heating fuel for residential use through village corporations who

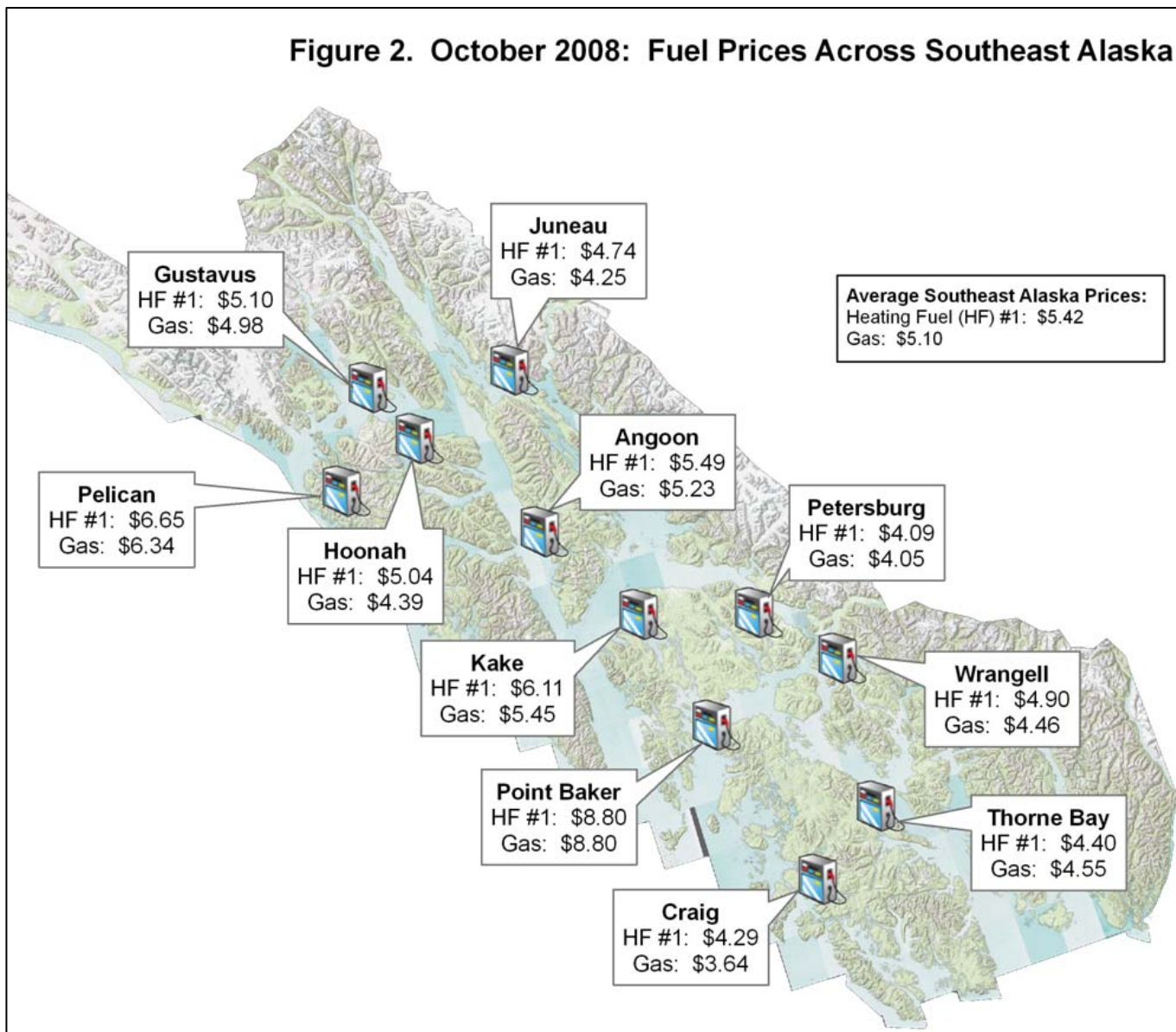
distribute fuel to residents throughout the Borough, charging only a delivery fee on a per gallon basis. Southeast communities pay, on average, \$5.42 per gallon for heating fuel (#1), comparable to Interior (\$5.34 per gallon) and Western Region (\$5.45 per gallon) communities.



The Arctic Village Traditional Council (Interior Region) reports the highest heating fuel retail price at \$9.00 per gallon. In contrast, and excluding the North Slope Region, Petro Star – Flint Hill in Fairbanks (Interior Region) reports the lowest heating fuel retail price at \$3.28 per gallon. Within Southeast, Point Baker Trading Post reports the highest heating fuel retail price at \$8.80 per gallon (Figure 2). In contrast, Petro Marine in Petersburg reports the lowest heating fuel retail price in the region at \$4.09 per gallon. On average, heating fuel retails for \$6.05 per gallon across Alaska with 93 communities reporting heating fuel prices (excluding North Slope Region). In Southeast, the average per gallon retail price of heating fuel is \$5.42, ten percent less than the statewide average.

Average gasoline per gallon prices also vary across Alaska by region. Western Region communities report the highest average gasoline retail price at \$6.73 per gallon while Southeast Region communities report the lowest average retail price at \$5.10 per gallon (Figure 1).

The Arctic Village Traditional Council (Interior Region) and the Nunamiut Corporation in Anaktuvuk Pass (North Slope Region) report the highest gasoline prices at \$9.00 per gallon. In contrast, Petro Marine in Craig (Southeast Region) reports the lowest gasoline retail price at \$3.64 per gallon. Within Southeast, the Point Baker Trading Post reports the highest gasoline retail price at \$8.80 per gallon (Figure 2). On average, gasoline retails for \$5.97 per gallon across Alaska with 98 communities reporting. In Southeast, the average per gallon retail price of gasoline is \$5.10, 15% less than the statewide average.



NOVEMBER 2005 – OCTOBER 2008: FUEL PRICES ACROSS SOUTHEAST

Since November 2005, heating fuel retail prices have significantly increased across the Southeast Region. In the eleven surveyed communities, the average heating fuel retail per gallon price increased from \$3.24 in November 2005 to \$5.42 in October 2008 (Table 1). This \$2.18 per gallon increase represents a 68% increase in the average heating fuel per gallon price in the Southeast Region (Figure 3). Much of this increase has occurred recently: the average heating fuel per gallon price in the Southeast Region increased by 42% from November 2007 (\$3.82) to October 2008 (\$5.42).

Table 1. November 2005 to October 2008: Fuel Prices Across Southeast Alaska

Community	November 2005		November 2006		June 2007		November 2007		June 2008		October 2008	
	HF #1	Gas	HF #1	Gas	HF #1	Gas	HF #1	Gas	HF #1	Gas	HF#1	Gas
Angoon	\$3.30	\$3.20	\$3.58	\$3.70	\$3.66	\$3.87	\$3.91	\$4.08	\$5.15	\$4.87	\$5.49	\$5.23
Craig	\$3.10	\$2.76	\$3.00	\$3.40	\$3.06	\$3.20	\$3.61	\$3.42	\$4.68	\$4.26	\$4.29	\$3.64
Gustavus	\$2.80	\$3.30	\$3.08	\$3.27	\$3.24	\$3.91	\$3.61	\$3.63	\$5.18	\$4.94	\$5.10	\$4.98
Hoonah	\$3.41	\$3.08	\$3.28	\$3.23	\$3.40	\$3.78	\$4.18	\$3.80	\$5.38	\$4.80	\$5.04	\$4.39
Juneau	\$2.94	\$2.91	\$3.07	\$2.75	\$3.28	\$3.29	\$3.48	\$3.31	\$4.83	\$4.42	\$4.74	\$4.25
Kake	\$3.38	\$3.49	\$3.78	\$3.84	\$3.94	\$4.32	\$4.09	\$3.90	\$5.90	\$5.34	\$6.11	\$5.45
Pelican	\$3.47	\$3.69	\$3.55	\$4.20	\$3.75	\$4.19	\$4.21	\$4.08	\$5.72	\$4.19	\$6.65	\$6.34
Petersburg	\$2.96	\$3.06	\$2.93	\$2.65	\$3.06	\$3.10	\$3.67	\$3.41	\$4.93	\$4.31	\$4.09	\$4.05
Point Baker	\$4.10	\$4.15	\$4.10	\$4.25	\$4.15	\$4.25	\$4.00	\$3.90	\$5.50	\$5.50	\$8.80	\$8.80
Thorne Bay	\$2.85	\$2.99	\$2.95	\$3.25	\$3.01	\$3.78	\$3.48	\$3.52	\$4.41	\$4.40	\$4.40	\$4.55
Wrangell	\$3.28	\$3.55	\$3.07	\$3.02	\$3.50	\$3.55	\$3.78	\$3.78	\$5.35	\$5.25	\$4.90	\$4.46
Southeast Average	\$3.24	\$3.29	\$3.31	\$3.41	\$3.46	\$3.75	\$3.82	\$3.71	\$5.18	\$4.75	\$5.42	\$5.10

Gasoline retail prices have also increased across the Southeast Region. In the eleven surveyed communities, the average gasoline retail per gallon price increased from \$3.29 per gallon in November 2005 to \$5.10 per gallon in October 2008 (Table 1). This \$1.81 per gallon increase represents a 55% increase in the average gasoline price per gallon in the Southeast Region (Figure 4). As with heating fuel, much of this increase has occurred recently: the average gasoline per gallon price in the Southeast Region increased by 37% from November 2007 (\$3.71) to October 2008 (\$5.10).

Figure 3. Heating Fuel (#1): Percent Change November 2005 to October 2008

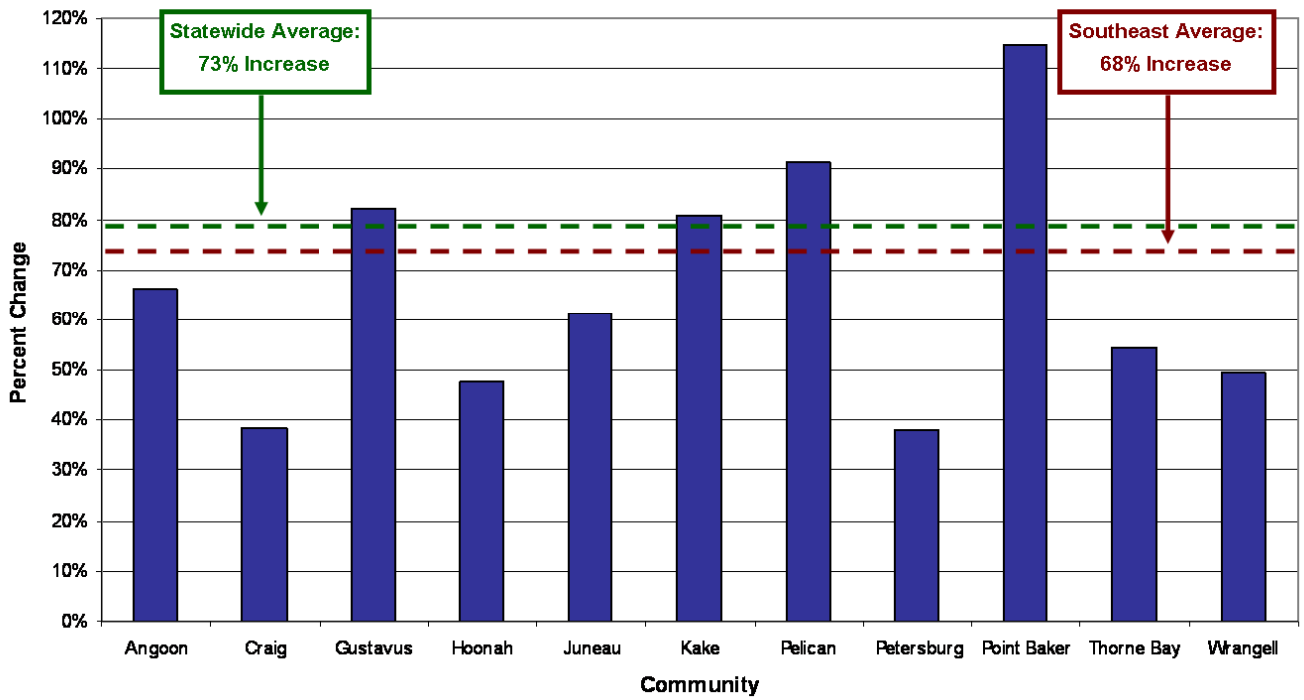
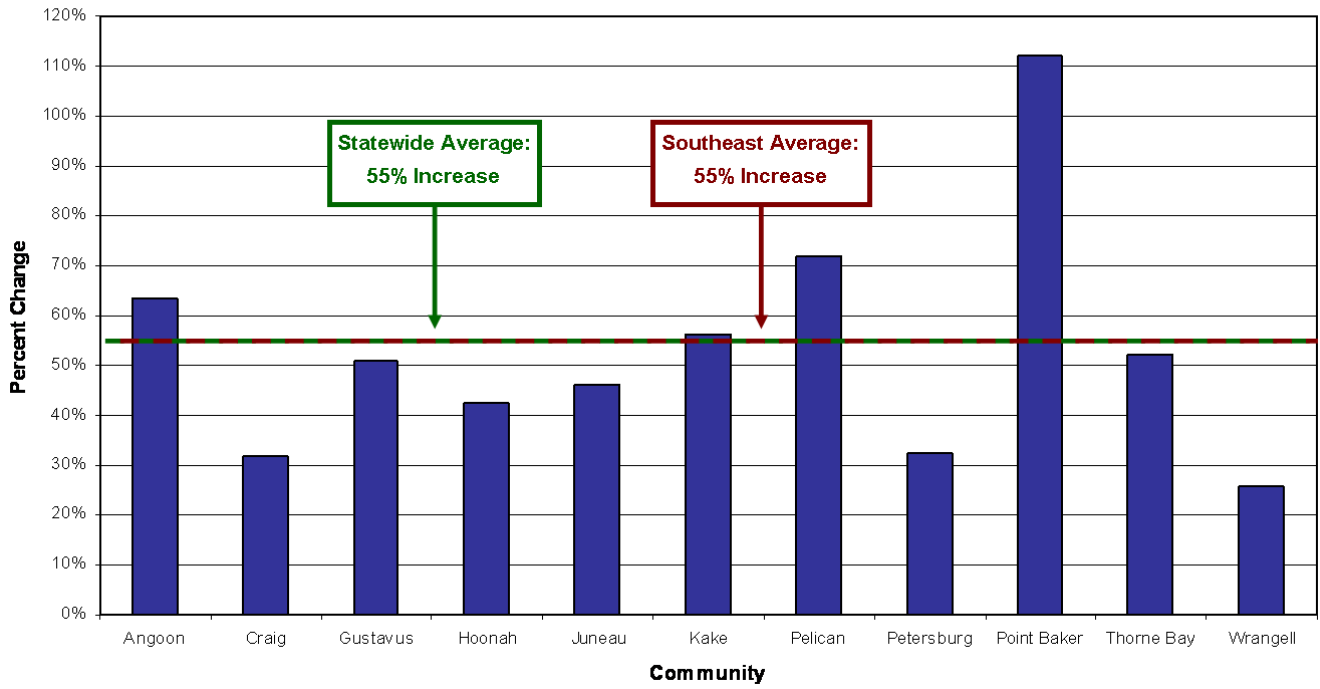


Figure 4. Gasoline: Percent Change November 2005 to October 2008



From June 2008 to October 2008, the average heating fuel (#1) per gallon price in the Southeast Region increased by 24 cents (5%) from \$5.18 to \$5.42. The average gasoline per gallon price increased by 35 cents (7%) from \$4.75 to \$5.10 during the same period. Of note, the increase in the average price of fuel from June 2008 to October 2008 occurred largely because of price increases in Point Baker. The community is no longer being serviced by a distributor fuel barge, and the price per gallon (\$8.80 for heating fuel and gasoline) reflects the fuel vendor's efforts to conserve fuel for essential service providers. If Point Baker is excluded from analysis, the average per gallon price of heating fuel (#1) decreased by seven cents (-2%) from \$5.15 to \$5.08 from June 2008 to October 2008. In contrast, the average per gallon price of gasoline increased by five cents (1%) from \$4.68 to \$4.73 from June 2008 to October 2008.

Retailers were further queried whether market demand for heating fuel or gasoline has generally increased, decreased, or remained the same during the past 12 months. Demand for heating fuel (#1) has remained constant, with seven of ten¹ (70%) retailers reporting no change in demand. Five of the eleven retailers in the Southeast Region (45%) report a decrease in demand for gasoline. Retailers who report a decrease in gasoline demand generally indicate customers are reducing recreational trips, both on land and water.

POPULATION MIGRATION

At the recent Alaska Federation of Natives Conference, the issue of rural community outmigration was raised as a prospective and immediate threat to rural Alaska communities. This issue has likewise been raised by media and public officials across the State, including a September 29, 2008 letter from Anchorage Mayor Mark Begich and Anchorage School District Superintendent Carol Comeau to the Office of the Governor expressing concern about "an unfortunate realignment underway in our state where challenging conditions in many rural communities are forcing a migration to urban cities."

As part of DCRA's community fuel survey, 100 local fuel vendors located within Alaska were asked about their perception regarding population change in their community over the past twelve months. Half (48%) of respondents indicate the local population has remained stable, while slightly more respondents indicate a population increase (27%) than decrease (23%). Two percent (2%) of respondents did not express an opinion. In Southeast Alaska, two respondents (18%) indicate a population increase, three (27%) indicate a decrease, and six (55%) observe no change in population. In summary, survey results regarding population migration are inconclusive and largely anecdotal. Additional information is needed to provide clarity on the issue.

¹ Petro Marine in Thorne Bay ceased operations in 2008, therefore no information is available regarding local change of demand.

SUMMARY

Since November 2005, fuel prices in the Southeast Region have significantly increased with much of that increase occurring from November 2007 to October 2008. Heating fuel prices increased 68% from November 2005 to October 2008; 42% from November 2007 to October 2008. Gasoline prices increased 55% from November 2005 to October 2008; 37% from November 2007 to October 2008.

From June 2008 to October 2008, heating fuel (#1) per gallon prices increased by 24 cents (5%) from \$5.18 to \$5.42. Gasoline per gallon prices increased by 35 cents (7%) from \$4.75 to \$5.10. The increase from June 2008 to October 2008 largely reflects current community conditions in Point Baker, where the area fuel distributor recently discontinued barge service. If Point Baker is excluded from analysis, the regional average per gallon price for heating fuel (#1) has decreased by two percent and per gallon price for gasoline increased by one percent from June 2008 to October 2008.

Southeast Region prices have increased to the point where consumer behavior and lifestyles are being directly impacted. With the higher cost of fuel, residents in the Southeast Region have reduced recreational use of land and water vehicles. Southeast residents are also affected by the indirect impacts of high fuel costs, as the cost of shipping goods has increased with the price of fuel.

While a sustainable and permanent solution to high fuel costs has yet to be determined, the State of Alaska has taken short- and long-term steps toward alleviating impacts and assisting all Alaskans. Some of these measures include reinstating Community Revenue Sharing, distributing resource rebate checks to individual Alaskans, increasing loan amounts available through the Bulk Fuel Revolving Loan and Bulk Fuel Revolving Bridge Loan Programs, providing funds to supplement the federal LIHEAP program, funding home weatherization and energy efficiency upgrades, and co-sponsoring the Rural Power System Upgrade Program. The State of Alaska will continue to pursue programs and projects to address the long-term energy of communities across Alaska.

Division of Community and Regional Affairs

Promoting strong communities and healthy economies by providing information, technical and financial assistance, and other capacity building resources.



Division of Community & Regional Affairs

The Community Fuel Survey was conducted by the Alaska Department of Commerce, Community, and Economic Development, Division of Community and Regional Affairs (DCRA). If you have any questions or comments regarding the survey or this report, please contact:

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