



# City and Borough of Sitka

## Electric Department

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## Should I convert from oil to electric heat?

The rapid rise in oil prices has everyone rethinking their use of fuel oil and gasoline. Heating oil prices in Sitka are now on par with the cost of electric energy. Many fear that oil prices will be going even higher. Some Sitkans are now considering converting their space heating from oil to electric.

My advice to anyone considering electric heat is to instead consider “dual-fuel.” That is, don’t take out your oil heating system. Just add electric as an alternative energy source for heating your home. The only thing we know for sure about the future is that we have not been there yet. Who knows what the future holds? A dual fuel system design hedges your bet. You can choose which energy source is the best deal at the time.

Sitka’s electric rates have been stable since the mill shut down in 1993. The residential cost of a kilowatt-hour (kWh) in Sitka today averages about 9.2 cents compared to about 8.9 cents in 1993. Not much change. The reason for that is most of the cost of electric service in Sitka is essentially fixed. About half the cost of providing electric service in Sitka is debt service on our utility plant investment. We generate over 95% of our power with water, and the price of that fuel has not changed.

We expect to have enough hydroelectric capacity to satisfy Sitka’s power requirements into the 2015 to 2020 time frame. When we do max out our hydroelectric capacity, we will then need to start supplementing with diesel-generated power, a point where the cost of electric energy to Sitkans will start to rise significantly. When that day arrives, Sitka will be considering developing more hydroelectric capacity....but that new capacity will be very expensive to build.

As of September, 2005 the cost of electric energy in Sitka is equivalent to heating oil at about \$2.75 per gallon. For the next five years I don’t expect much change in Sitka’s electric rates. Your guess is as good as mine on what oil prices will do over the next five years.

My advice is to hedge your bet with dual-fuel capability in your home heating system along with doing what you can to improve the weather tightness and insulation of your home, or perhaps even reduce the amount of space you are heating. Close the door and turn off the heat on rooms that do not need to be heated. The raw cost of energy per kWh or per gallon is only part of your heating bill. How wisely you use that energy is the other part of your heating bill. Using less energy (oil or electric) is a sure fire way to reduce your heating bills.

By: Charlie Walls, Utility Director

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