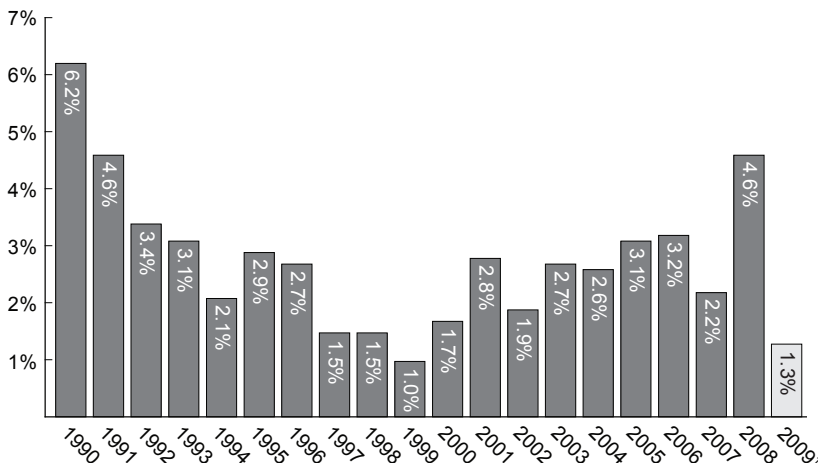


Volatile energy prices and a new geographic study

In Alaska, oil prices are usually discussed in the context of their impact on state revenue and budgets. With no state sales or income taxes, oil generates the dominant share of what state government spends.

But oil prices also have a large effect on consumer prices in a state where heating homes and transporting goods are major expenses. Oil prices shot up above \$140 in 2008 before falling back to around \$30 later in the same year. That unprecedented volatility affected Alaskans' household expenses in a variety of ways.

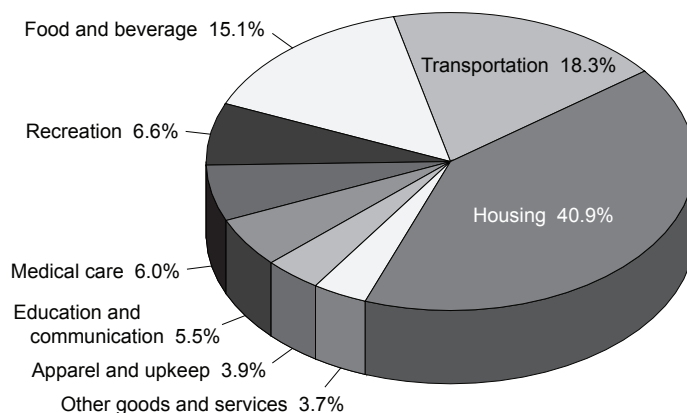
1 Energy Accounts for Recent Volatility Change in Anchorage CPI-U, 1990 to 2009



¹ The CPI for 2009 is the percent increase in the index from the first half of 2008 to the first half of 2009. All of the other percentages are the average of the index increases from the first and second halves of the previous years.

Source: U.S. Department of Labor, Bureau of Labor Statistics

2 Most is Spent on Housing CPI weighting, December 2008



Source: U.S. Department of Labor, Bureau of Labor Statistics

Two ways to look at the cost of living

There are two basic ways to look at the cost of living. One is to examine the changes in prices over time. For that, the Consumer Price Index¹ is the most frequently used. It's referred to generically as the inflation rate and is used to adjust salaries and rents, among other things, so they keep pace with inflation.

The other way to measure the cost of living is to compare the costs of different locations during the same time period. This is the type of information that helps a person trying to decide whether it makes economic sense to relocate from one city to another or a company trying to equalize wages for employees in different cities. There are a variety of these types of measures available.

High 2008 inflation, then a big drop in 2009

The Anchorage CPI² rose 4.6 percent in 2008 – the highest annual increase since 1991 – be-

¹ All references to the CPI in this article are to the CPI-U (Consumer Price Index for all Urban Consumers), produced by the U.S. Department of Labor's Bureau of Labor Statistics unless otherwise specified.

² Anchorage is the only Alaska city for which a consumer price index is calculated. A national CPI is produced every month and monthly CPI data are also available for the nation's four Census regions (Northeast, Midwest, South and West) and for three major metropolitan areas. Data for 11 smaller metropolitan areas are produced every two months. Anchorage is in a group of 13 smaller metropolitan areas for which data are published every six months.

fore falling to just 1.3 percent in the first half of 2009. (See Exhibit 1.) Despite the national recession and all the economic uncertainty of the last year, the explanation for both the high 2008 number and the low 2009 number is relatively simple: oil prices and related energy costs.

The overall index number is made up of eight different components or categories representing the different goods and services people spend money on. Each of the components is weighted in the overall index according to how large a share it makes up of the average consumer's expenditures. (See Exhibit 2.) The weights are adjusted periodically based on regular consumer surveys.

Of the eight components, the most notable change in the first half of 2009 compared to the first half of 2008 was transportation's drop of 5.4 percent. (See Exhibit 3.) The 3.9 percent increase in housing costs is potentially misleading since that number doesn't represent actual housing prices.

The Bureau of Labor Statistics tries to exclude the part of housing costs that is considered investment³ with a complicated method that attempts to determine how much home owners could charge in rent for their houses, rather than just assessing what they're worth on the market.

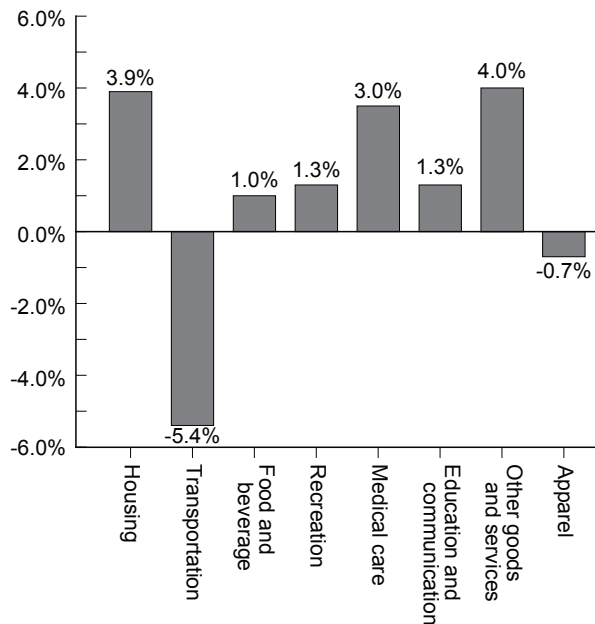
An unfamiliar direction for energy costs

Energy costs are not one of the eight separate components of the CPI, but they make up much of the transportation component and also affect, in differing degrees, the other seven.

As most consumers can attest, prices usually

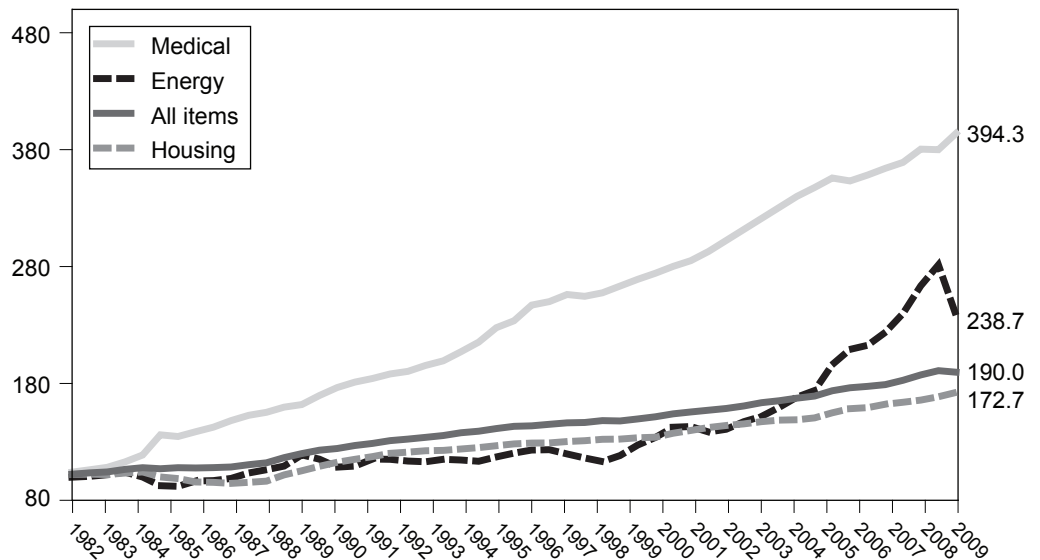
³ Investments and other savings are not included in the CPI data since they are not considered expenditures.

Behind the 1.3 Percent Increase 3 Increase by major CPI components, 2009¹



¹ Increase from first half of 2008 to first half of 2009
Source: U.S. Department of Labor, Bureau of Labor Statistics

Health Care and Energy Costs Stand Out 4 Anchorage CPI, selected components, 1982 to 2009



Source: U.S. Department of Labor, Bureau of Labor Statistics

move in only one direction – up. Energy costs were an exception in the first half of 2009, providing welcome relief after several consecutive years of big increases. (See Exhibit 4.) The big decline in oil prices worked their way into significantly lower prices for everything from home heating oil to motor fuel.

5 Alaska's Wide Variety of Living Costs Geographic cost differentials by area, 2008

| | |
|--------------------------------|-------------|
| Anchorage | 1.00 |
| Mat-Su | 0.95 |
| Glennallen Region | 0.97 |
| Parks/Elliott/Steese Highways | 1.00 |
| Kenai Peninsula | 1.01 |
| Southeast Small Communities | 1.02 |
| Fairbanks | 1.03 |
| Delta Junction/Tok Region | 1.04 |
| Southeast Mid-Size Communities | 1.05 |
| Prince William Sound | 1.08 |
| Ketchikan/Sitka | 1.09 |
| Juneau | 1.11 |
| Kodiak | 1.12 |
| Roadless Interior | 1.31 |
| Southwest Small Communities | 1.44 |
| Arctic Region | 1.48 |
| Bethel/Dillingham | 1.49 |
| Aleutian Region | 1.50 |

Source: The McDowell Group

6 Geographic Cost Differentials By community, 2008

| | |
|-----------------------|-------------|
| Anchorage | 1.00 |
| Homer | 1.01 |
| Ketchikan | 1.04 |
| Petersburg | 1.05 |
| Valdez | 1.08 |
| Cordova | 1.13 |
| Sitka | 1.17 |
| Dillingham | 1.37 |
| Nome | 1.39 |
| Barrow | 1.50 |
| Bethel | 1.53 |
| Unalaska/Dutch Harbor | 1.58 |
| Kotzebue | 1.61 |

Note: Anchorage was used as the base city and assigned a value of 1.00 from which comparisons of the other areas could be made. For example, Mat-Su's index number of 0.95 means that living costs there are 95 percent as high as Anchorage's; the Aleutian region's 1.50 index number means costs there are 150 percent as high as in Anchorage.

Source: The McDowell Group

Although energy costs have received much of the attention in recent years, over the longer term, nothing rivals the increase in health care costs. Since the mid-1980s, the cost of health care has risen more than twice as much as either housing or the broad all-items index.

The CPI can't be used for geographic comparisons

The CPI attempts to measure how much prices are rising over time, but it's not designed to say whether one location is more expensive than another. For that, a variety of other measures and studies are available.

The State of Alaska has a new cost of living standard

For the first time in nearly 25 years, Alaska's state government has a new comprehensive intrastate cost differential study. The state contracted with McDowell Group, a Juneau-based research and consulting firm, to update their 1985 study for the state.

Although the primary purpose for updating the study was to help the State equalize pay for state employees, it will also be useful to individuals and organizations because of its comprehensiveness – all areas of the state are covered – and detail. The study will answer almost any cost of living question that involves comparing the costs of one part of the state with another, whether it be a broad overall comparison of costs or a more detailed look at costs for food, clothing, housing, transportation, medical care or any of a number of other specific categories.⁴

Using data gathered from 2,547 household surveys in 74 communities and 634 retail outlet surveys in 58 communities, the study divides the state into 18 blocks with common demographic and geographic characteristics. (See Exhibit 5.) In addition to the 18 blocks, data for 12 individual communities that were large enough to provide statistically reliable data were published – not counting the ones that themselves made up a block such as Anchorage, Fairbanks and Juneau. (See Exhibit 6.)

Anchorage was used as the base city and assigned a value of 100 from which comparisons of the other areas could be made. Mat-Su's index number of 0.95, for example, means that living costs there are 95 percent as high as Anchorage's while the Aleutian region's 1.50 index number means costs there are 150 percent as high as in Anchorage.

Comparing the 2008 study with the one done in 1985 reveals that the cost differential of cities on Alaska's relatively limited road system haven't

⁴ The full report is available on the Alaska Department of Administration Web site. Go to alaska.gov, click on "Departments" in the gold ribbon at the top, then "Administration." Then click on the heading, "Department of Administration," and "Alaska Geographical Differential Study" under "Quick Links."

changed much, but places off the road system have become even more expensive relative to Anchorage than they used to be. In the new study, Kotzebue's 161 index number was the highest and most of the remote areas exceeded 130.

The next highest category was communities that were off the road system but connected by the Alaska Marine Highway. These communities included Kodiak, Cordova, Juneau, and Sitka, among others. Communities with lower overall costs than Anchorage were those on the road system with housing costs below those in Anchorage.

ACCRA data show Alaska cities' high costs

Every quarter the ACCRA⁵ Cost of Living Index provides comparisons of living costs for about 300 urban areas in the United States. ACCRA's focus is on professional and managerial households with incomes in the top 20 percent for the area. It's often used by companies trying to equalize pay for their employees in different U.S. locations.

The annualized data for 2008 show that the three Alaska cities included in the ACCRA data were all at least 25 percent more expensive than the average ACCRA city. (See Exhibit 7.) Of the six detailed categories studied, the three Alaska cities all had higher than average costs with the exception of Anchorage utility costs.

⁵ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association, which gave the index its acronym. It's now produced by The Council for Community and Economic Research.

Alaska Cities Generally More Expensive ACCRA¹ cost of living index, selected cities, 2008



| | Items Index Costs | Grocery Items | Housing | Utilities | Transportation | Health Care | Miscellaneous Goods and Services |
|-----------------------------|-------------------|---------------|---------|-----------|----------------|-------------|----------------------------------|
| Anchorage | 125.5 | 142.5 | 136.4 | 97.7 | 106.9 | 130.1 | 123.7 |
| Fairbanks | 136.1 | 125.9 | 149.6 | 199.2 | 110.8 | 140.2 | 117.0 |
| Kodiak | 125.1 | 149.1 | 116.8 | 146.2 | 116.4 | 128.0 | 119.5 |
| West | | | | | | | |
| Portland, Ore. | 116.1 | 106.9 | 132.2 | 92.9 | 108.6 | 106.5 | 116.2 |
| Honolulu | 162.8 | 155.8 | 252.5 | 134.4 | 116.5 | 111.4 | 116.8 |
| San Francisco | 172.1 | 128.6 | 292.9 | 98.6 | 113.4 | 120.3 | 130.5 |
| Las Vegas | 107.9 | 101.0 | 129.1 | 93.8 | 102.6 | 104.3 | 98.2 |
| Reno, Nev. | 110.6 | 110.4 | 123.7 | 94.4 | 102.1 | 110.0 | 106.8 |
| Seattle | 123.0 | 117.2 | 151.2 | 83.8 | 110.5 | 120.8 | 116.5 |
| Spokane, Wash. | 92.6 | 99.7 | 79.1 | 82.2 | 103.8 | 108.3 | 99.2 |
| Tacoma, Wash. | 109.9 | 116.0 | 118.7 | 83.1 | 106.9 | 122.8 | 107.4 |
| Bellingham, Wash. | 112.6 | 114.1 | 132.0 | 79.9 | 108.0 | 114.8 | 106.2 |
| Boise, Idaho | 95.8 | 94.4 | 87.7 | 91.0 | 102.5 | 102.8 | 101.7 |
| Bozeman, Mont. | 107.6 | 105.0 | 118.9 | 103.9 | 98.0 | 100.3 | 104.0 |
| Cheyenne, Wyo. | 101.5 | 110.0 | 104.5 | 108.9 | 95.9 | 97.9 | 95.7 |
| Laramie, Wyo. | 103.3 | 116.4 | 110.7 | 99.0 | 97.9 | 96.2 | 96.8 |
| Southwest/Mountain | | | | | | | |
| Cedar City, Utah | 92.0 | 98.7 | 89.5 | 80.1 | 97.2 | 87.7 | 94.2 |
| Phoenix | 101.1 | 103.4 | 100.1 | 90.9 | 100.2 | 99.4 | 104.8 |
| Denver | 105.0 | 108.5 | 110.3 | 96.3 | 97.2 | 105.8 | 104.0 |
| Dallas | 92.1 | 99.8 | 70.8 | 105.3 | 102.9 | 104.3 | 98.9 |
| Midland, Texas | 93.3 | 93.8 | 83.8 | 103.1 | 96.4 | 94.1 | 97.3 |
| Midwest | | | | | | | |
| Fargo, N.D./Morehead, M.N. | 93.3 | 99.4 | 83.7 | 102.1 | 94.8 | 98.4 | 95.8 |
| Cleveland | 96.3 | 103.2 | 87.2 | 105.9 | 100.1 | 103.1 | 96.8 |
| Chicago | 112.5 | 106.9 | 129.2 | 117.9 | 108.7 | 103.1 | 100.8 |
| Southeast | | | | | | | |
| Orlando, Fla. | 101.0 | 101.5 | 89.9 | 102.1 | 104.6 | 96.3 | 109.6 |
| Mobile, Ala. | 94.2 | 101.4 | 81.0 | 103.9 | 96.5 | 87.9 | 100.2 |
| Atlanta, Ga. | 97.2 | 98.9 | 91.3 | 87.6 | 103.0 | 102.0 | 102.1 |
| Atlantic/New England | | | | | | | |
| New York City/Manhattan | 219.8 | 142.4 | 409.6 | 167.3 | 120.2 | 132.6 | 141.8 |
| Boston | 133.6 | 115.9 | 156.7 | 140.6 | 108.1 | 133.6 | 126.4 |
| Philadelphia | 123.9 | 124.9 | 144.5 | 118.2 | 104.1 | 109.0 | 115.7 |

Note: Index numbers represent a comparison to the average for all cities for which ACCRA volunteers collected data.

¹ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association. It's now produced by The Council for Community and Economic Research. The focus of the index, which has been published since 1968, is on professional and managerial households with incomes in the top 20 percent for the area.

Source: ACCRA Cost of Living Index

A bit of caution is in order for the Fairbanks housing costs, however, which are almost certainly too high. All other sources of housing data, including surveys of housing costs and McDowell Group's 2008 study, show Fairbanks' housing costs well below those of Anchorage and Kodiak.

ACCRA identified New York City-Manhattan as the most expensive city in the nation for the income group studied. Manhattan's index number

8 Low-Income Households Come Closer to Average

Runzheimer plan of living cost standards, February 2008

| | Total Costs | Percent of Standard City | Taxation | Percent of Standard City | Transportation | Percent of Standard City | Housing | Percent of Standard City | Miscellaneous Goods and Services | Percent of Standard City |
|-------------------------|-------------|--------------------------|----------|--------------------------|----------------|--------------------------|----------|--------------------------|----------------------------------|--------------------------|
| Alaska Composite | \$39,417 | 123.2% | \$2,448 | 80.5% | \$4,749 | 113.6% | \$24,498 | 136.7% | \$7,722 | 112.6% |
| Anchorage | \$41,522 | 129.8% | \$2,448 | 80.5% | \$4,934 | 118.0% | \$26,471 | 147.7% | \$7,669 | 111.8% |
| Fairbanks | \$35,112 | 109.7% | \$2,448 | 80.5% | \$4,714 | 112.8% | \$20,351 | 113.6% | \$7,599 | 110.8% |
| Juneau | \$41,616 | 130.1% | \$2,448 | 80.5% | \$4,599 | 110.0% | \$26,672 | 148.9% | \$7,897 | 115.1% |
| West | | | | | | | | | | |
| Bellingham, Wash. | \$35,414 | 110.7% | \$2,448 | 80.5% | \$4,514 | 108.0% | \$20,994 | 117.2% | \$7,458 | 108.7% |
| Bend, Ore. | \$38,237 | 119.5% | \$2,723 | 89.5% | \$4,205 | 100.6% | \$24,635 | 137.5% | \$6,674 | 97.3% |
| Honolulu | \$57,071 | 178.3% | \$2,448 | 80.5% | \$5,240 | 125.4% | \$40,689 | 227.1% | \$8,694 | 126.7% |
| Lancaster, Calif. | \$37,149 | 116.1% | \$2,448 | 80.5% | \$4,865 | 116.4% | \$21,686 | 121.0% | \$8,150 | 118.8% |
| Los Angeles, Calif. | \$62,636 | 195.7% | \$2,448 | 80.5% | \$6,132 | 146.7% | \$45,824 | 255.7% | \$8,232 | 120.0% |
| Reno, Nev. | \$37,879 | 118.4% | \$2,448 | 80.5% | \$4,632 | 110.8% | \$23,380 | 130.5% | \$7,419 | 108.1% |
| Southwest/Mountain | | | | | | | | | | |
| El Paso, Texas | \$29,894 | 93.4% | \$2,448 | 80.5% | \$4,377 | 104.7% | \$16,443 | 91.8% | \$6,626 | 96.6% |
| Fort Collins, Colo. | \$31,446 | 98.3% | \$2,736 | 89.9% | \$4,507 | 107.8% | \$17,645 | 98.5% | \$6,558 | 95.6% |
| Lake Havasu City, Ariz. | \$34,868 | 109.0% | \$2,610 | 85.8% | \$4,479 | 107.2% | \$20,667 | 115.3% | \$7,112 | 103.7% |
| Pinehurst, Idaho | \$27,367 | 85.5% | \$2,674 | 87.9% | \$4,182 | 100.0% | \$14,356 | 80.1% | \$6,155 | 89.7% |
| Salt Lake City, Utah | \$32,033 | 100.1% | \$2,808 | 92.3% | \$4,442 | 106.3% | \$18,294 | 102.1% | \$6,489 | 94.6% |
| Midwest | | | | | | | | | | |
| Highland, Mich. | \$34,043 | 106.4% | \$2,448 | 80.5% | \$5,394 | 129.0% | \$19,118 | 106.7% | \$7,083 | 103.3% |
| Rapid City, S.D. | \$26,398 | 82.5% | \$2,448 | 80.5% | \$4,182 | 100.0% | \$13,607 | 75.9% | \$6,161 | 89.8% |
| Shawnee, Okla. | \$24,988 | 78.1% | \$3,181 | 104.6% | \$4,414 | 105.6% | \$10,960 | 61.2% | \$6,433 | 93.8% |
| Verndale, Minn. | \$30,176 | 94.3% | \$2,448 | 80.5% | \$4,605 | 110.2% | \$16,416 | 91.6% | \$6,707 | 97.8% |
| Southeast | | | | | | | | | | |
| Augusta, Ga. | \$24,178 | 75.6% | \$3,033 | 99.7% | \$4,650 | 111.2% | \$10,175 | 56.8% | \$6,320 | 92.1% |
| Columbia, S.C. | \$26,042 | 81.4% | \$2,625 | 86.3% | \$4,280 | 102.4% | \$12,747 | 71.1% | \$6,390 | 93.1% |
| Cape Coral, Fla. | \$38,415 | 120.0% | \$2,448 | 80.5% | \$4,554 | 108.9% | \$24,508 | 136.8% | \$6,905 | 100.7% |
| Hessmer, La. | \$26,616 | 83.2% | \$3,036 | 99.8% | \$4,869 | 116.5% | \$12,057 | 67.3% | \$6,654 | 97.0% |
| Atlantic/New England | | | | | | | | | | |
| Fairfax, Va. | \$44,941 | 140.4% | \$2,603 | 85.6% | \$4,645 | 111.1% | \$30,162 | 168.3% | \$7,531 | 109.8% |
| New York | \$55,946 | 174.8% | \$2,463 | 81.0% | \$5,441 | 130.2% | \$39,278 | 219.2% | \$8,764 | 127.8% |
| Egg Harbor City, N.J. | \$45,423 | 141.9% | \$2,743 | 90.2% | \$5,272 | 126.1% | \$30,547 | 170.5% | \$6,861 | 100.0% |

Note: This exhibit shows how much more or less it would cost for a family of four to live in different cities while maintaining the same standard of living.
Source: Runzheimer International, Runzheimer's Living Cost Index, February 2008

of 219.8 means living costs there are more than twice as high as the average ACCRA city. The next highest cost city was San Francisco with an ACCRA index of 172.1.

A similar story for lower income households

The Runzheimer Plan of Living Cost Standards compares living costs at the other end of the income spectrum. The Runzheimer study is designed to show how much more or less it would cost for a family of four to live in different cities while maintaining the same standard of living.

According to the Runzheimer study, a family of four in Alaska would need at least 9.7 percent

more income and as much as 30.1 percent more income to keep the same standard of living as in the standard Runzheimer city. (See Exhibit 8.) The one advantage Alaska households have over the standard city is a lower than average tax burden.

Food costs about half as much in Fairbanks as it does in Barrow

Four times a year the University of Alaska Fairbanks' cooperative Extension Service posts the results of its Food Costs Survey. The survey covers a long list of Alaska communities and Portland, Ore. The price comparisons are made on a low-expense combination of food items that meet the minimum required levels of nutrition.

The survey also gathers information on costs for heating oil, gasoline costs and other things.

According to the March 2009 survey, a family of four enjoyed the lowest food costs in urban areas such as Fairbanks, Anchorage and Palmer-Wasilla. (See Exhibit 9.) The higher-cost communities such as Barrow, Dillingham, Nome and Bethel were those that had to rely on air transport for their food items much of the year.

Gas at \$9 per gallon in Arctic Village

According to the Alaska Department of Commerce, Community and Economic Development's semi-annual survey of fuel prices in 100 Alaska communities, the trickle down effect of falling oil prices hasn't yet made it to Arctic Village and a number of other Alaska communities. The February data show that regular gasoline costs \$9 in Arctic Village and nearly as much in a number of other communities. (See Exhibit 10.)

Not surprisingly, there was a noticeable correlation between costs and the methods by which the fuel had to be transported. Another thing the data show is the lag between the fall of oil prices and the time when rural consumers get the benefit of the lower prices. The prices in the remote communities reflect those from the summer of 2008, when oil was at its peak levels and when the fuel was delivered by barge. In contrast, the fuel prices for communities on the road system or those with year-round ice-free ports such as the Southeast communities reflect more current fuel prices.

The cost of owning and renting a home in Alaska

Under a contract with the Alaska Housing Finance Corporation, the Alaska Department of Labor and Workforce Development collects several types of housing data for 10 boroughs and census areas. (See Exhibits 11, 12 and 13.) For the first quarter of 2009, the average price of homes sold was highest in Anchorage and lowest in the Kenai Peninsula Borough.

Rent for a two-bedroom apartment showed roughly the same pattern of high and low cost

Rural Alaskans Pay More Food, fuel and lumber costs, March 2009

9

| | Food at Home for a Week ¹ | One Gallon Heating Oil | One Gallon Gasoline | One Gallon Propane | Lumber 2x4x8 |
|------------------|---|---------------------------|------------------------|-----------------------|-----------------|
| Anchorage | \$128.16 | \$2.83 | \$2.16 | \$4.33 | \$1.95 |
| Barrow | \$333.00 | -- | -- | -- | -- |
| Bethel | \$263.36 | \$6.00 | \$5.59 | \$8.43 | \$5.13 |
| Cordova | \$208.17 | \$3.30 | \$3.50 | \$4.77 | \$4.48 |
| Delta | \$171.93 | \$2.32 | \$2.76 | \$3.15 | \$2.95 |
| Dillingham | \$274.70 | \$6.28 | \$6.33 | \$6.84 | \$5.75 |
| Fairbanks | \$125.87 | \$2.48 | \$2.43 | \$3.52 | \$4.22 |
| Homer | \$169.52 | \$1.83 | \$2.72 | \$3.19 | \$2.43 |
| Juneau | \$143.83 | \$2.87 | \$2.34 | \$3.17 | \$2.49 |
| Kenai - Soldotna | \$149.09 | \$1.73 | \$2.57 | \$3.85 | \$2.28 |
| Ketchikan | \$150.33 | \$2.69 | \$2.10 | \$3.58 | \$2.39 |
| Nome | \$216.74 | \$5.29 | \$4.99 | \$7.17 | \$5.99 |
| Palmer - Wasilla | \$126.25 | \$2.69 | \$2.36 | \$4.20 | \$2.47 |
| Portland, Ore. | \$102.36 | \$2.78 | \$1.96 | \$2.85 | \$1.68 |
| Seward | \$186.20 | \$2.13 | \$2.79 | \$3.64 | \$2.60 |
| Sitka | \$176.74 | \$2.50 | \$2.47 | \$3.59 | \$2.58 |
| Valdez | \$174.19 | \$2.53 | \$2.96 | \$3.30 | \$4.25 |

¹ The weekly cost for a family of four with children ages 6 to 11.
Source: University of Alaska Fairbanks, Cooperative Extension Service

Rural Alaska Pays Fuel Premium Fuel price survey, February 2009

10

| Selected Communities ¹ | One Gallon Heating Oil | One Gallon Gasoline | Method of Transportation |
|--------------------------------------|---------------------------|------------------------|-----------------------------|
| Akiak | \$6.45 | \$6.25 | Barge |
| Arctic Village | \$9.50 | \$9.00 | Air |
| Atkasuk ² | \$1.40 | \$4.10 | Barge/Air |
| Barrow ³ | -- | \$4.50 | Barge |
| Brevig Mission | \$7.00 | \$6.80 | Barge |
| Chenega Bay | \$5.60 | \$5.70 | Barge |
| Delta Junction | \$2.36 | \$2.70 | Truck |
| Dillingham | \$6.12 | \$5.76 | Barge |
| Emmonak | \$8.71 | \$7.25 | Barge |
| Fairbanks | \$2.23 | \$2.47 | Refinery/Truck |
| Gambell | \$7.88 | \$7.26 | Barge |
| Homer | \$2.08 | \$2.69 | Barge/Truck |
| Hoonah | \$3.50 | \$2.89 | Barge |
| Hooper Bay | \$7.37 | \$7.16 | Barge |
| Huslia | \$7.00 | \$7.00 | Barge |
| Hughes | \$8.55 | \$8.50 | Air |
| Juneau | \$3.02 | \$2.20 | Barge |
| Kodiak | \$3.10 | \$2.85 | Barge |
| Kotzebue | \$6.35 | \$7.25 | Barge |
| Nelson Lagoon | \$5.96 | \$5.71 | Barge |
| Nenana | \$2.53 | \$2.76 | Truck |
| Nondalton | \$5.35 | \$5.95 | Air |
| Petersburg | \$2.62 | \$2.63 | Barge |
| Port Lions | \$7.42 | \$6.66 | Barge |
| Russian Mission | \$6.15 | \$6.05 | Barge |
| Unalaska | \$3.44 | \$3.00 | Barge |
| Valdez | \$2.65 | \$2.86 | Refinery/Barge |

¹ This is just a partial list of the 100 communities surveyed.

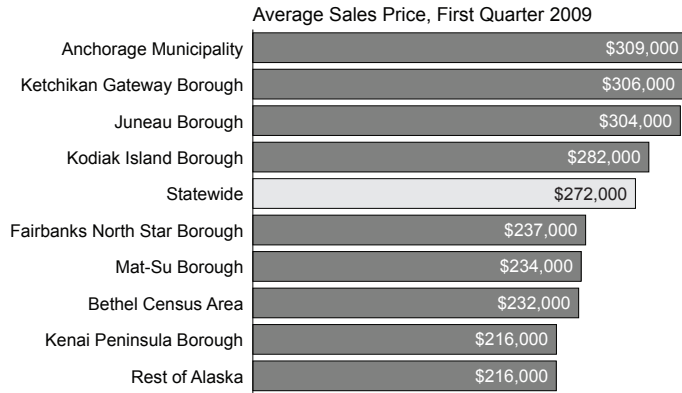
² The North Slope Borough subsidizes heating fuel prices.

³ Barrow uses natural gas as a source of heat.

Source: Department of Commerce, Community and Economic Development, Current Community Conditions: Fuel Prices Across Alaska, February 2009 Update. More current 2009 data be available in August.

11 The Cost of Single-Family Homes

Costs are highest in Anchorage



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

areas with Valdez-Cordova being the most expensive location and Wrangell-Petersburg the least. Overall, Anchorage, Juneau and Kodiak tended to be more expensive places to both own and rent and the Kenai Peninsula and Mat-Su boroughs were less expensive.

Affordability index combines housing costs with wages

High housing costs don't necessarily make housing less affordable to people living in the area if wages are at least high enough to compensate. The Alaska Housing Finance Corporation's affordability index combines wage and housing data to determine the average number of wage earners it would take in 10 different locations to afford the average sales price of a house in the area. (See Exhibit 13.)

Although the Mat-Su Borough has some of the lowest-cost housing in the state, housing there is no more affordable for people who both live and work in the borough than it is for people who both live and work in Anchorage. The reason is that wages are also lower than average for Mat-Su workers.

The lowest cost combination of the areas studied is for people who work in Anchorage – earning higher than average wages – and live in the Mat-Su Borough's less expensive housing. Of the area's studied, housing is least affordable in Juneau, where it takes 2.1 wage earners to afford the average house. That's the result of Juneau having a combination of wages that are below the statewide average and housing costs that are above it.

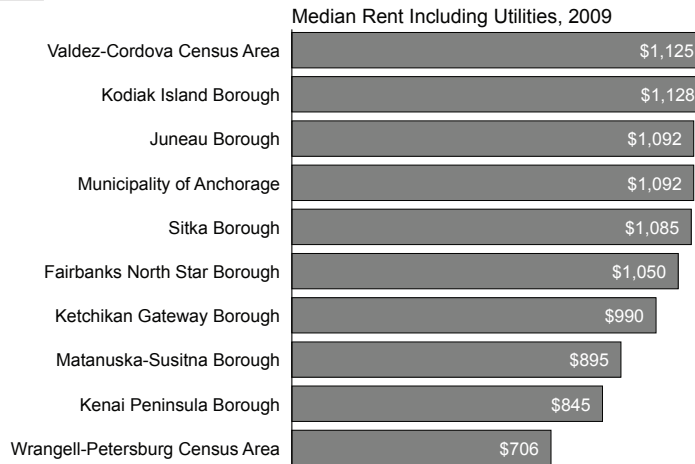
Military cost-of-living index

To equalize payments to military personnel, the Department of Defense produces a cost-of-living index for all of its overseas locations and includes Alaska and Hawaii in the index. The index doesn't include housing costs, which are covered by a separate calculation, but does compare prices for about 120 goods and services including food, clothing, transportation, medical care and utilities.

The index is an asset to any discussion of Alaska's cost of living because it includes 24 Alaska

12 Rent for a Two-Bedroom Apartment

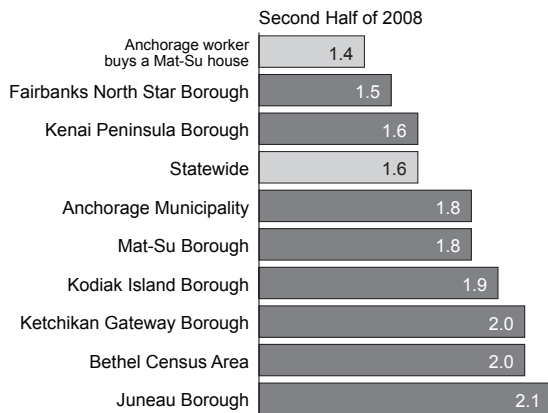
Wrangell-Petersburg pays the least



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation, 2009 Rental Market Survey

13 Where is Housing Most Affordable?

Wage earners needed to buy average house



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation

communities. The 2009 index shows especially high prices in Barrow, Bethel, Nome and Wainwright and lower prices in Wasilla, Anchorage and Fairbanks, among others. (See Exhibit 14.)

For the most part, the military index confirms what the other measures and studies show: in Alaska, unlike most of the rest of the country, rural living generally means expensive living because of the high cost of transporting food, fuel and other goods.

Military Cost-of-Living Allowances OCONUS¹ Index, Alaska 2009

14

| | |
|--|-----|
| Wasilla | 120 |
| Anchorage | 122 |
| Clear AFS | 124 |
| College | 124 |
| Fairbanks | 124 |
| Delta Junction | 126 |
| Juneau | 128 |
| Kodiak | 128 |
| Spuce Cape | 128 |
| Unalaska | 128 |
| Homer | 130 |
| Kenai (includes Soldotna) | 130 |
| King Salmon (includes Bristol Bay Borough) | 130 |
| Seward | 130 |
| Tok | 132 |
| Cordova | 134 |
| Valdez | 134 |
| Sitka | 136 |
| Ketchikan | 138 |
| Petersburg | 138 |
| Barrow | 152 |
| Bethel | 152 |
| Nome | 152 |
| Wainwright | 152 |

¹ OCONUS is an acronym for Outside the Continental U.S. Alaska is counted as an OCONUS location for purposes of the index.

Source: Department of Defense, effective date June 2009.

A Safety Minute

Reporting Accidents in Alaska

Alaska Statute 18.60.058 requires that an employer report any accident which causes in-patient hospitalization of one or more employees. The report can be made in person to the nearest office of the Division of Labor Standards and Safety:

Anchorage: 3301 Eagle Street, Suite 305
 Juneau: 1111 West 8th Street, Suite 304
 Fairbanks: 675 7th Avenue, Station J1

or by telephone to: (800) 770-4940 (Toll Free from within Alaska) or
 (907) 269-4940 (8 a.m. to 5 p.m. Monday - Friday; Alaska time)

or by telephone to: The Federal OSHA accident reporting toll free number
 (800) 321-6742 (After 5 p.m. or on weekends and holidays)

The report must relate the following:

- The name of the establishment
- The location and time of the accident
- A contact person and their telephone number
- A brief description of the accident
- The number of fatalities or hospitalized employees
- The extent of any injuries.

The report must be made immediately but no more than **eight hours after** receipt by the employer of information that the accident has occurred.