

Statement by - Ed Phillips on Power Cost Equalization -- House Bill 294

Good afternoon. My name is Ed Phillips and I live and own a hotel in Hoonah. I want to first thank you for providing me with this opportunity to speak and more importantly for having this conversation. I am encouraged by House Bill 294 as it could most rapidly relieve some of the economic hardship plaguing diesel electric communities. I believe that left unaddressed, for economic reasons our communities will eventually disintegrate.

It may initially seem inconsistent but I also believe that the governments focus should continue to lean toward energy conservation. While naturally struggling with increasing electric bills the majority of our residents have little understanding where their energy is going or how to reduce consumption. A "weatherization" like program that goes directly into homes and identified wasteful equipment while helping to identify and possibly provide alternative solutions would ultimately reduce everyones costs. To help put it in perspective - A great deal on a \$20 standard electric heater could cost over \$700 a month to operate in one of our communities. In conversations with people it seems entirely possible that there could also be serious unidentified faulty electrical problems. A simple thing like a loose neutral or a defective outlet or device could also be needlessly wasting energy & jeopardizing lives. Solving these problems takes money and these electric customers are all too frequently barely able to pay their electric bills let alone solve the underlying problems. This situation is especially acute with our businesses.

After 12 years of struggling with energy costs operating a 13,000 square foot hotel in Hoonah I am especially relieved to hear that PCE eligibility may be returned to businesses. I believe that perpetuating this clearly unequal "Equalization" is "penny wise and pound foolish" and far more harmful to our communities than you may imagine. To be sustainable a community must have employment and financially stressed businesses have no choice but to reduce employment. Reduced jobs, services and goods available within the community are unavoidable. As idle time and frustrations mount social problems flourish along with all of its ramifications. In other words high energy costs have created a destructive progression that will not only destroy growth in our communities but also seriously stifle the growth of our State. Ultimately, the PCE inequality will increasingly concentrate people where energy is affordable and seriously undermine the growth of our vast State along with access to its abundant resources.

The best hope for decreasing the per KWH cost in our communities is by increasing the economies of scale for the utilities but that's not possible unless businesses are enervated. That is impossible so long as vital electrical costs are toxic to business. The current strategy also causes the State to pay more subsidy per KWH while the communities progressively suffer. Stabilizing the cost of electricity is the one thing that government can do to help turn things around in our communities.

Obviously a single 700 KWH eligibility allowance would be a good start. Despite my best efforts to conserve the lodge averages 8,500 KWH per month so all businesses are certainly not equal. Nonetheless HB 296 would provide at least some welcome relief while resurrecting the

relationship. That way the State could be tracking and studying business consumption and also be best able to respond to save businesses and our rural communities if catastrophic price increases occur due to supply volatility.

It is both ironic and most opportune that the very thing that makes the State so fabulously rich is precisely what ails our communities. It would be quite logical and certainly fair for the Legislature to take some of the States good fortune and counter this ill effect directly caused by high oil prices. It should be considered nothing more than “fighting fire with fire”.

Please, do not assume that I am being negative when I honestly strive to be more realistic than anything. I am hopeful that you will care about us when it is so easy to be “out of sight out of mind”. You and the resources you control are the only hope for our businesses and communities. It is my hope that you will begin to realize that some of the surplus that you are considering using is to some degree born by the exclusion of businesses from PCE. That Power Cost "Equalization" could be made true and that our communities would have renewed hope for sustainable self-sufficiency as at least in the short term PCE appears to be our only hope... Ultimately with increased recognition of the true cost of the “temporary” PCE program will help spur the development of the energy conservation projects that would finally solve the underlying problems thus eliminating the need for the PCE program and burden to the State. Thanks.

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